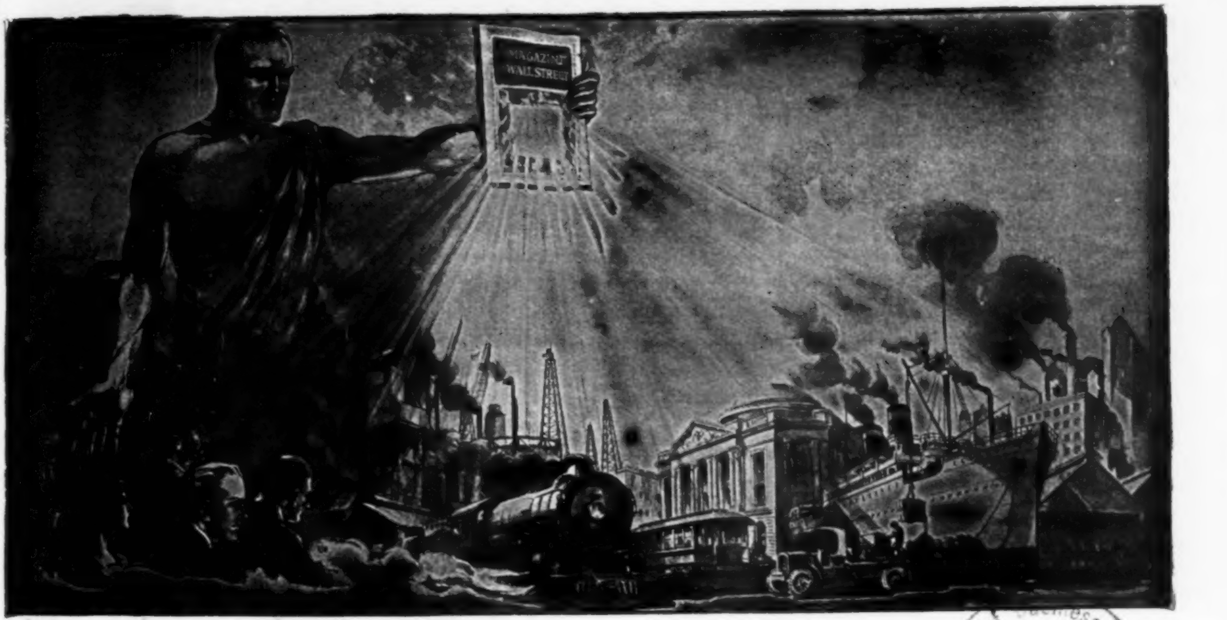


The Outlook

The Arms Conference—Funding the Foreign Debt—Advocacy of Farm Credit—Taxes and the Bonus—A Fallacious Idea—The Market Prospect

WHILE hopes had been engendered that with the conclusion of the winter months business would recover at least a fair share of the activity lost during the latter part of autumn and early winter, it is now evident that such hopes were unfounded. The fact is that business conditions generally are about as dull as at any time since last summer. The conservative policy which marked buying during most of last year continues and is likely to continue until there is greater confidence in the situation at large.

The basic industries show the effects of the present depression, although they are somewhat more actively engaged than at the period of greatest depression last summer. Prices are somewhat less stabilized, in a number of instances, showing a tendency toward lower levels.

On the other hand, strength in the foreign exchange and investment markets and in the grains is a matter of considerable encouragement and undoubtedly presages a period of more general prosperity to come. Such a period will probably not come into being for several months longer, but its appearance should mark the long desired turn in business conditions.

* * *

CLOSING OF ARMS CONFERENCE

THE closing of the Arms Conference on February 6 is an event which should rank as of first class importance, not only from the political and diplomatic but also from the economic standpoint. The treaties growing out of the conference now go to the Senate. If adopted there, and if ratified by other legislative bodies, they should result in a distinct lessening of budget costs in the United States, Great Britain and Japan, although such lessening will naturally be considerably less than is popularly supposed, amounting probably to but little more than 5% of annual tax collections.

Ratifications of the treaties, however, should work in an important way toward the development of economic stability in international matters; and should, therefore, afford a basis of capital investment and of international security too important to be neglected. The work of the Arms Conference might well be carried further through active participation on our part at Genoa or through our accepting a share in the economic arrangements which may be agreed upon by the other powers represented at that conference.

Certain it is that with our export trade declining as at present, and with foreign exchange in as unsatisfactory and unstable a condition as it now is, some measure should be taken to provide for stabilization of exchange through the restoration of normal conditions of international business. As time has gone on, less and less faith is evidently felt in the efficacy of artificial financial schemes of various kinds which have been proposed as a means of overcoming exchange disturbances. *It is now more and more generally admitted that the true basis for restoration of economic soundness will be found in the putting of international investment of capital and international movement of goods back upon a definite basis.*

* * *

INTERNATIONAL DEBT FUNDING

CONGRESS having at length passed the International Debt Funding Bill, progress can be made in connection with the negotiations with foreign countries. The negotiations will presumably be carried on by a Commission including two members of Congress and three members of the Cabinet, of which Secretary Mellon will be chief. Although three years are allowed for winding up the business of the Commission and reporting the results of its findings, the actual

work should require a very much shorter time than that.

As a matter of fact, there is little for the Commission to do. The terms of adjustment had already been very fully considered before Secretary of the Treasury Houston left office, and had it not been for the belief on the part of some foreign countries that a change of administration in the United States would materially alter the prospects of a relaxation of our claims, it is likely that the whole matter would have been disposed of without additional legislation.

Economic conditions in Europe have made it more than ever plain, since that time, that what is called full enforcement of our claims is not likely to be very feasible or to be favorably considered by any country except perhaps Great Britain. The Commission may therefore find almost at the outset that its labors involve difficulties of a sort that had not been reckoned upon. One good result at least should, however, come from its operations—it should be made plain that the various countries which owe money to the United States are or are not willing to settle, and if they are, on what basis they stand ready to make payment. This may result in clearing up some ideas on debt payment that are now obviously hazy in many legislative minds as well as in that of the public.

* * *

A NEW SET OF TAXES

THE soldiers' bonus discussion has apparently reached the point where it is admitted by all parties to the controversy that the funds will have to be obtained, if at all, through the imposition of new taxes. Foreign debts payments will evidently not yield the amount of interest that is requisite even if arrangements for refunding had been fully consummated. The idea of borrowing to pay the bonus has been effectually discredited by Secretary Mellon. It would in any case have been a disastrous means of getting money because it would have reflected so seriously upon the value of Liberty Bonds and would have inflicted corresponding injury upon their holders. Secretary Mellon has therefore found it necessary to recommend some alternative plan, and this he has done by suggesting the use of taxes on tobacco, automobiles, gasoline and other articles, or in lieu thereof of a sales tax.

The sales tax has already become unpopular among bonus advocates, but the various specific taxes referred to, coupled moreover with postage and documentary stamp charges at higher rates than now required, seem likely to be hardly more attractive. It is complained that the plan proposed is too much like calling upon the soldier "to pay his own bonus." Whether this attitude on the part of legislators may result in further postponing action, or whether members of Congress will decide to brave the unpopularity of the methods of collection which have been suggested is another question. *Certain it is that additional taxes of the kind mentioned or of any other kind are not likely to be very acceptable to the public in its present frame of mind.*

AGRICULTURAL CREDIT AGAIN

ONE of the principal results of the Agricultural Conference at Washington, which closed a week ago, has been the renewed advocacy of so-called intermediate farm credit. By this is meant the extension of loans to farmers for terms running from, say, six months to three years. The conference in its final report advocated the adoption of some plan which would provide for extensions of this kind, specifically recommending that they be granted by Federal land banks.

Unfortunately the land banks have no large supply of funds and would have to get their money elsewhere. Hence the recommendation that the paper be made rediscountable at Federal reserve banks as soon as it fell within six months of maturity. It is evident that this plan would either enlarge the amount of credit going to farmers or it would not. If it did not, the plan would then simply be a deceptive way of meeting and stemming agricultural dissatisfaction. If it does so, the effect would be merely that of increasing the amount of farm credit carried by Federal reserve banks. This would be, to say the least, unwise in view of the fact that the reserve banks already are granting to farmers or to those engaged in the handling of farm products a rather disproportionate amount of credit.

Investigations made last summer show that at that time there had been no diminution in the amount of credit thus extended, as compared with the peak level contained after the war. The trouble at present is not found in the lack of credit, but in the fact that the farmer is not well organized from the marketing standpoint for the purpose of obtaining it. He suffers from shortage of capital rather than credit, and suffers most of all from the lack of good facilities for disposing of his product. It is in these directions that the best work for the relief of the farmer can be done, not in that of the extension of the short term credit he desires, and this should be impressed on the minds of those responsible for relief measures.

* * *

THE MARKET PROSPECT

AFTER some hesitation in the early part of the month, the upward trend of the market has been reasserted, with new ground for encouragement coming in from various quarters. Many people are beginning to realize that there is a large variety of securities which, in view of the improving general business conditions, still may be regarded as cheap.

The recovery in the earning power of railroads and the tendency on the part of those which are financially strong to resume the construction of extensions and the building up of their plants and equipment, is one of the most significant signs on the horizon. If business men in general could realize that the wreckage of 1921 has all but been cleared away, and take on the spirit of optimism, the commercial recovery would be more rapid. We believe that such an attitude is fully warranted by the facts.

The World's Oil Situation and Its Effect on American Petroleum Properties

Where the Oil Supply of the Future Will Come From—The Production Methods of Tomorrow

By **BARNABAS BRYAN**

Barnabas Bryan, as an authority of fourteen years' standing in mining and oil works, of which seven were spent in Alaska, Africa and tropical America, is peculiarly qualified to discuss the oil situation, which he does in striking fashion in the accompanying article.

The article is divided into two sections, of which the first treats on the situation as it exists today in Mexico, covering the resources the Southern Republic still has and forecasting its future as an oil producer.

In the second section, which will appear in our next issue, Mr. Bryan discusses in a new light the future of oil consumption. His position is supported by economic and cost factors heretofore only vaguely considered, both in the production of oil in South America and other fields, and in its consumption by the vast and manifold industries of America.

The article brings home with great force the present unrecognized values in American oil property.

WHEN the present great fields of Mexico are exhausted, the cost of producing oil in Mexico, in South America and other tropical regions will be at least twice that in the United States. Thereafter, for many years, domestic petroleum production will probably be equal to, or greater than, American consumption. The use of lubricants and gas engine fuel will vastly increase, yet they represent less than a third of present production, while the wasteful use of fuel oil for steam generation, which consumes the bulk of present supplies, will decrease more rapidly than the increase of refined products. Petroleum production from South America and the new fields of Mexico will be unable to compete with coal and electricity for power purposes, except in the internal combustion engine. Nevertheless, money will be made from these new fields in many cases.

Startling as these conclusions appear, a cross-section view of the fundamentals of oil production, the differences between the present fields of Mexico and those found elsewhere, and of the factors which control the consumption of oil products, will leave small basis for doubt of their truth and significance.

Mexico

Mexican oil, produced from great phenomenal wells, is today the controlling factor in the price of oil. We produce abundant oil to satisfy all legitimate uses, but we must import crude to satisfy the demand for fuel oil. The law of supply and demand operates to make the price of American oil comply with that of importing the excess, regardless of the cost of production in America.

To understand just how Mexican production influences the American market and the possibilities of its influence in the future, it is desirable to get a picture of how the present fields differ from those of the future, why oil has been produced in the past at such absurdly cheap figures and why it will cost more to produce as soon as the present fields are exhausted.

Back in what we call the Cretaceous age, the Caribbean area, including the south Gulf Coast, eastern Mexico, most of the islands and the northern part of South America was a sea, where lived many kinds of shell life, which in death deposited their shells on the bottom, while their bodies, scattered through the mass, were embalmed by the salt of the water, just as meat is preserved by salting it down. In the area of the great Mexican fields there was formed in this way over three thousand feet of lime deposits containing many little organic remains. Then came a gradual change to conditions somewhat like the delta country of the Mississippi, where great quantities of silt were deposited over the lime, forming a tight cover through which nothing could pass. Eventually the weight of these upper deposits became enormous, the shells were compacted into hardened limestone, and the organic matter was transformed into oil and gas by the pressure and temperature underground. The oil was trapped in the bedding planes and crevasses of the lime itself.

Then came the late era of mountain building in Mexico. As the forces of earth compression acted, the oil fields were just a little east of the line of action. But the series of rocks was far different from normal, where numerous soft beds of clay and shale crumple and fold without tearing apart—*the hard limestone had to break*. Up through the break shot the molten rock from below, filling most of the fractured zone and forcing its way to the surface in a line of hills to guide future well locations.

On the north this break or "fault" buried itself under the lagoon and gulf, while through the famous Panuco fields the pressure was relieved by easterly and westerly faults, north of which conditions were entirely different. South of the Tuxpam river the fault was changed in effect by the eastern extension of the Pachuca mountains, while beyond Furbero the igneous mountains of Tizintlan terminated this oil region. This left just one little area forty miles in length where the fault zone was well defined. It is along the arc of a circle centering out in the Gulf and is sometimes called the "Magic Circle," because all of the big fields except Panuco are found on it.

On this Magic Circle there was little movement of the beds after the tension was relieved by the fault and the thick cover series was left intact except where the intrusions broke through. The movement was just sufficient to form an arch or "anticline" in the rocks above the lime and cause the lime to grade up to this high point from under the Gulf. Where the intrusions did reach the surface, the cover series hugged it so close and the asphalt of the heavy oil filled up the cracks so fast that the great bulk of the oil could not force its way out. This was nature's choicest gem in oil field construction.

Then the forces of oil concentration came into play. The drops and scattered bodies of oil, which could not pass through the hard lime beds, found easy channels for their passage in the bedding planes, where the solid lime was parted by slivers of sand or clay. Gravity urged them to get together on top of the water, at all high points of the lime beds. At the magic circle their further movement was checked by the igneous intrusions cutting their path, but the lime was broken, allowing them to congregate at the top of the lime in the fractured zone and caverns dissolved out of the lime.

This made it true that when wells were drilled into this cavernous area, all the oil in the vicinity was immediately available like water in a tank, and all new wells there were like just so many spigots drawing from the same tank. Contrast this with oil production from "oil sands," where by pumping the oil from the well in driblets every day for many years a third or a fifth of the oil in the sand is recovered by one well, from five or ten acres. **Thus, a well costing $250,000 on the magic circle could produce oil more cheaply per barrel than an American sand well costing $25,000.**

At present the greater part of this marvelous structure has been drained, and to the best of our knowledge, only the Cerro Azul-Toteco pool remains. What were once the marvels of the oil world are now the source of rivers of hot, salty tears flowing across the face of Mexico. Unless this remaining pool is as marvelous when compared to the exhausted pools, as these fields were in comparison

to sand fields, next summer will see this last known wonder, producing salt water with a little oil to be skimmed from it as is now the custom at Amatlan.

After all the bitter experience with salt water in the upper fields, the companies controlling the last remaining pool are racing each other to see which can draw out the most oil. New pipelines have gone in and production has been forced up to 440,000 barrels per day or 160,000,-000 barrels per year. They know well that 70,000,000 barrels are already gone, while the great Amatlan only gave about 150,000,000 barrels. Optimistic as they may be about new fields, they are well aware that, as yet, these dream pools are undiscovered. Just as the race for production from Amatlan was responsible for the break in oil prices last year, so the present race is the cause of the present depression of the American industry, and will be responsible for the period of speculation which will probably follow the exhaustion of Cerro Azul.

Will other pools be found within the area of the magic circle? Probably no! Too much intelligent drilling has been done along the structure to allow much probability of finding another Amatlan, and this is well known to operators in the field. Nevertheless, the many complexities of the igneous intrusions make it possible that they have cut off restricted areas which eventually will be found and made to produce considerable quantities of oil. One possible example is the new well at San Geronomo, which came in for more than twenty thousand barrels. No one can foretell today whether or not this will be a real producer, but it is of much interest, due to its nearness to the old Dos Bocas well, which burned.

Suppose one more great pool is found on the magic circle—experience has shown that, at best, it will produce about 150,000,000 barrels, or less than the oil exported in 1921. Such a possibility does exist in the extension of the circle under Tamiahua lake, which is shallow. Many wells may have to be drilled to find such a hypothetical pool, as there are no surface indications on which to base well locations. **When the end of the magic fields does come, Mexican production is likely to drop more than 100,000,000 barrels per year, for these fields continue to produce their maximum or "flush" flow of oil, until the salt water has forced out the oil and follows it out of the well.**

Other Mexican Fields

The question naturally rises, why future fields in Mexico will be different from those producing today. Undoubtedly other fields exist, which offer promise of being of world importance, but the chances are very strong that the oil in them will be found stored in sand. In the region from Tampico to Tuxpam, conditions are unusual, even for Mexico. Not only does this land receive oil concentration from way out under the gulf; not only has it had convenient storage provided in the fault zone with all the bedding planes of the lime feeding their oil into it; but also the lime was at a very desirable depth below the surface, allowing high pressure and at the same time allowing the drill to reach well into the lime to find the caverns or the fissures leading to them.

Present indications give little hope of finding such conditions elsewhere. Certainly many faults occur, allowing the oil to collect in them; certainly considerable areas feed into single fault zones in the limestone; but most areas where this is possible are covered by tertiary sediments which will prevent the drill from reaching the limestone. This is true both north of Tampico and south of Furbero to Yucatan. Undoubtedly there are some small chances of finding fault zone oil at other places, but these are accompanied by lessened probability of large accumulation; they will be more like Furbero.

Where faults in the lime feed into the overlying sand series of the Tertiary, important fields may be found. The recent well at Concepcion is such an example. It is reported to have produced at the rate of 1,000 barrels per hour and then to have become choked with sand. How different from the magic fields, where one well produced 100,000,000 barrels, without sand, water or a minute's interruption to its continuous flow. The question still remains whether it can be cleaned out and made to produce after the manner of America, or whether it will be like Trinidad, where often the uncontrolled outrush of oil allows the clay and shale from above to cave about the foot of the well, effectively cutting off its flow.

These other fields will be in a wilderness, away from present oil field civilization. Camps will have to be built, roads constructed, pipe lines laid and much expense will have to be incurred in opening up new territory before it will be known whether or not there is a real chance of money being made from the work. New fields will require their period of development previous to attaining large production, just as it took the magic fields six years to reach exports of 50,000,000 barrels per year after the first great wells were drilled. **When the magic fields fail, it is probable, almost to the point of certainty, that the cost per barrel of producing oil from new fields will be at least twice the cost of production in the United States, just as records of past operations would show it to cost twice as much to drill a well in Mexico, for there will be no more wells where the total costs can be divided by 100,000,000 to get the cost per barrel.** Then the era of over cheap oil in America will have passed and the profits of the oil business in the United States will have greatly increased.

The American Oil Fields

There are many regions which contain quantities of coal, the definite proof of vast storage of organic material, yet few of them compare with North America in the factors of oil storage and structure, so necessary to hold a mobile, volatile liquid underground. Our coal beds, which are the largest in the world, are a true estimate of the importance of our oil fields as compared with those of the world.

In past ages many areas were raised out of the sea, to be covered with tropic jungles and then lowered below the water to become the homes of many varieties of shell life. Numerous layers of sand were thus formed, intermixed with tight layers of shale or clay which kept the oil sealed in the rocks. Some parts of the country were thus covered with stored material at different times, as shown by the various beds of coal in the same region, but all of it at one time or another was provided with the raw materials of oil formation.

Then, when our mountains were formed, the big western ranges left long, gentle foothills on either flank, where conditions were ideal, while in the east many safe reservoirs were left in the

600 feet high Cerro Anzul No. 4 shooting more than a million barrels a week

mountains themselves. At the same time the vast storehouse of the interior valley was only moved sufficiently to bring the sands near the surface and give simple undulating structure. Such was nature's great contribution to the fuel wealth of America; such the gift which has made the easy art of the mushroom oil company and the wildcat driller.

Since the discovery of oil by drilling in 1859 the development of production has been as rapid as the stimulation of prices, and prosperity would allow. Naturally, the Pennsylvania fields were first developed and, up to about 1900, produced more oil than all the rest of the country together. But in the seventies attention had been drawn to other localities, and some small beginnings were made in the great interior valley and the far west. Then, in the eighties, the Indiana fields were developed; and in 1900 with the increased demand for oil, production rapidly mounted in California, the Gulf region and the Oklahoma fields.

Each of these great regions has had a period of constantly increasing production, followed by relatively constant yield and then, finally, some of them have started down the path of gradual decrease, leading to the time when no more oil will flow to the wells. Pennsylvania now produces less than half of its maximum, the original gulf fields have long been on the downgrade, Indiana has but a small part of its former glory, while for several years California has only been able to maintain its position, leaving only parts of the mid-continent area with probabilities of material increase over any considerable period of time.

Once in a while, a Mexia jumps suddenly into large flush production, causing a great stir, and then fading down to a sustained fraction of its original promise, but this is the exception and applies only to individual pools. After the discovery of oil in 1859 it was fourteen years before world production reached 10,000,000 barrels and thirty-six years before it reached 100,000,000 barrels. Russia was twenty years in attaining the first figure and has never reached the second. Mexico was seven years in growing to the first and then, after the discovery of the Potrero del llano and Juan Casiano wells, was still nine years in reaching 100,000,000. Even with war necessity and the backing of the British Government, Persia only reached 7,000,000 barrels in 1920.

It takes time to develop large production.

New American Fields

What about new fields to replace those which have passed their prime? Will we discover another California or Oklahoma? No—and yes! Since the beginning of the century our many oil companies and the geological survey have spent much time and money in searching for such a region. All parts of the country have been studied and thousands of wells have been drilled at places where the chances were more or less favorable, but the results have been simply the discovery of smaller fields like those of Wyoming or new pools in well known regions. A leading oil company president recently stated that in the Rocky Mountain district 248 structures have been tested with the result that 41 produced some oil or gas, while 207 produced a net loss of $20,000,000.

That other pools like Huntington Beach, California or Mexia, Texas, will be found is a foregone conclusion, and such additional pools may be quite a factor in keeping up or temporarily increasing production. But with some of the main fields on the downgrade it is highly improbable that such pools will materially increase the totals more than a few months at a time. By present methods of work, there can be no question that we, as a nation, will be unable to increase production in proportion to increased consumption, **unless consumption is curtailed by increased prices.**

As prosperity returns, the search for these other pools will go relentlessly forward and many will make money from success, while very many more will be caught by legitimate failures or blue sky schemes. To the man who can afford to lose on the chance of winning, a speculation is justified on any land between the main mountain ranges and some land in them, where there is structure and a real chance of the drill reaching known oil sands of other localities. It is this fact which holds the greatest potentiality and allure for the average oil man of today. The days of the wildcat driller are far from over, but his percentage of success is decreasing and will continue to do so.

Uncounted Reserves

In the early days of a mining camp, all work is toward the development of rich ore. For many years in Bingham Canyon, Utah, diligent search was made for ore which would pay on small scale working. All the while a mountain of ore lay dormant, because no one could see a profit from such low-grade material. The "High Grade" stage of the camp and industry had not passed. During this time a group of energetic men in Nevada were developing a big mass of similar ore and testing out ways of recovering the copper from it. A successful method was found, a hundred and fifty miles of railroad were built for a single mine, steam shovels cleared away the covering of barren rock, a mill was built to handle thousands of tons of ore per day, and thus the Nevada Consolidated Copper Company was created. This proved possibilities at Bingham Canyon and the neglected mountain became the strength of the great Utah Copper Company.

Shooting into a Reservoir. One solution of the problem of conserving the huge initial flow of oil gushers

In the oil industry we are still in the "High Grade" period of development. Estimates of future production are based on this same high-grade basis of production. Gushers still create wild excitement. Mother Nature is still asked, not only to form the oil in the earth and keep it safely stored away, ready for the drill, but also to keep the supply under pressure. When a well has passed the gusher stage and the gas in the oil no longer has sufficient pressure to force the oil to the well at a paying rate, or when the sand about the well is clogged with paraffin or asphalt, the well is abandoned and called dead. Methods have not been developed for clearing the sands around a well except by putting down a capsule of dynamite to shoot it—and hope for the best. Present estimates of reserves are based on

(Continued on page 584)

Why the Present Method of Taxation Is a Menace to Established Business

Unjust System an Obstacle to Prosperity—The Sales Tax as a Remedy

By **HON. REED SMOOT**
As Interviewed by Theodore M. Knappen

SENATOR SMOOT is acknowledged to be an authority on taxation. Ever since he has been in Congress he has brought his extraordinary powers of application and concentration to the study of government finance. He is a thorough and indefatigable student—and like all willing workers is overwhelmed with tasks. It is commonly said of him that he is the hardest working member of the Senate.

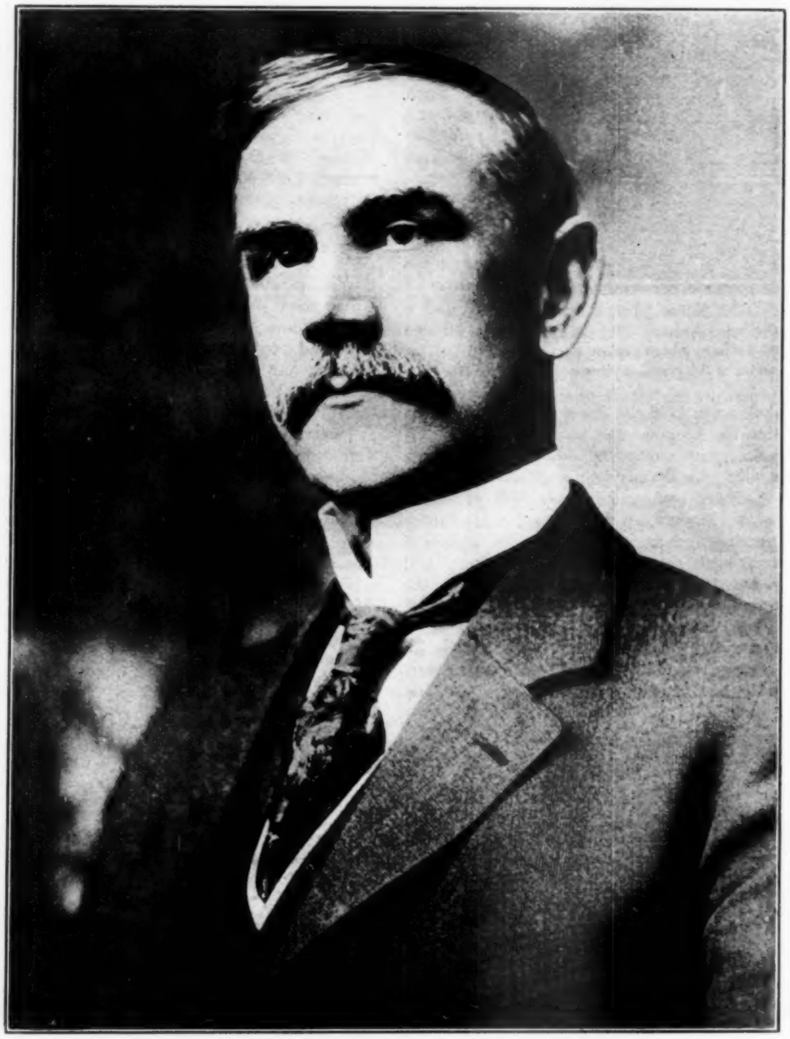
Although he is one of the attendance stand-bys of the Senate sessions, his committee work is prodigious, and his days are a succession of study, conference and appointments that necessitate exact and minute divisions of his time. Fortunately for him, he has the rare faculty of absolutely concentrating on the affair of the moment. Interested as he is in everything relating to taxation, he could find but ten minutes for me, but he packed them fuller than most men would pack into an hour.

What follows is an effort to put into brief space the facts, figures, and ideas with which I was volleyed in those ten extraordinary minutes; although the Senator is conveniently quoted, it is not to be supposed that it is with literal accuracy:

"There is a lot of talk about using taxation as an instrument of social justice, the idea being, I suppose, to use it as a means of curbing the concentration of wealth. I am more interested in preventing taxation from being an instrument of social injustice.

"That federal taxation is today an enormous injustice none can deny. Its volume alone is necessarily so great that it can not fail to hamper, discourage and hamstring business. Its distribution is most unequal and without due regard for the economic machine that has to carry the load. Not less than ten cents of every dollar of national income is now diverted to the maintenance of the federal government and to the support of something like a million persons in non-productive functions. This colossal tribute is levied in many respects with as little regard to the conservation of its source as the fabled killer of the golden goose had for the maintenance of his supply of gold. It is also levied with little regard to the psychology of those who must pay. Their tithes are taken from them in a way that adds resentment to deprivation.

"So long as we must, in order to pay the national bills, divert so much wealth from the pockets of the people there will be inevitably rank injustice, but we can certainly do a great deal to distribute the burden more equitably.



U. S. SENATOR REED SMOOT

Member from Utah, and Washington's acknowledged authority on finance and taxation, whose emphatic views on the present tax system are reflected in the accompanying interview

How Excessive Taxation Has Dampened Business Ardor

"A tax on incomes is abstractly laudable, but when applied on a large scale, as we must apply it at present, it works out in strange and devious ways. I do not exaggerate when I say that it has ruined and destroyed many sound businesses, and that in many ways it has discouraged business enterprise and energy. I refer particularly to the tax on corporations, and more especially to the barbarous excess profits tax.

"A corporation is merely a legal mechanism for the purpose of obtaining wealth for its members, and yet we proceed to clog it up with taxes so that it sometimes fails altogether. **In all tax legislation we should seek to put the lowest possible tax on the means of producing wealth.** While I consider that the individual—the ultimate receiver and enjoyer of wealth—should bear the tax burden rather than the implement he works with, the same principle of safe-guarding the protection of wealth production establishes a very definite limit on the taxation of personal incomes. Beyond a certain point personal income taxation discourages or altogether stops the diversion of surplus income to new production. When a man of large income finds that taxation deprives him of so much of the fruit of productive enterprise that he can put his money into tax-exempt securities, which do not represent wealth production, and fare better, he is not going into new enterprises.

An Unfair Situation

"We have yielded too much to the generous theory that taxes ought to be apportioned according to the ability to pay. It sounds good but it works badly. To tax the recipient of a million dollar income to the tune of $700,000 doesn't seem much of a hardship to a man who has only $2,000 of net income. The remaining $300,000 looks big enough to the little fellow. But he is apt to forget that his job goes up the flue along with the wealthy man's $700,000. That $700,000 used to go into new productive enterprises; it and the surpluses of other big incomes have been in the past the main sources of new productive capital, with all of its manifold implications of employment and commerce.

"Now it goes neither into the national treasury nor into production. It manages to dodge both goals. The large incomes are disappearing from the tax rolls (though not in fact), great accumulated wealth and the idle rich escape taxation, and the burden is shifted to the most important class in the community, the men who are successfully working with their money.

"We are taking our revenues excessively from the citizens who have the genius, capacity and opportunity to use capital to make the wheels go around for the benefit of all. Two-thirds of our taxes come from individuals whose taxable incomes range from $5,000 to $300,000. It is manifestly difficult for these working capitalists to evade the income tax, though there are said to be 31 ways in which individuals can pay lower or no taxes under the law. That is the explanation of the seeming paradox that between 1916 and 1919 tax-paying incomes in excess of $300,000 declined from $993,000,000 to $440,000,000.

The Sales Tax as a Way Out

"It is evident that we ought to confine taxes on productive instrumentalities and persons to the lowest possible amounts. We are not doing this, because we have refused to take advantage of a broad field of taxation in which taxes can be levied with a minimum of personal annoyance and business hardship.

"I refer to a sales tax. One of the sales tax bills I introduced provided for a 3 per cent tax on manufacturers' sales for consumption without further process of manufacture. There was an exemption of $6,000. Between the exemption and the fact that most agricultural products require further manufacture, farmers' sales of agricultural products were virtually excluded; yet it was estimated that such a law would yield about $760,000,000 annually in the present state of trade.

"With such a tax in effect we could keep the corporation income tax down to 10 per cent even now, instead of 12½ per cent; lower the surtax rates to a maximum compatible with investment of personal income in productive industry and eliminate the excess profits tax with 1920 instead of 1922. This form of sales tax would do away with all the special petty, annoying and provocative excise taxes we now have. Like all other taxes it would be paid ultimately by the consumer, but he would pay in negligibly small instalments, included in the price of his purchases but not segregated from them. It would not have the slightest adverse effect on business. It would be collected from definite and, compared with the income tax, few sources, and its calculation and collection would be simple. The precise amount of the income tax of a small manufacturing corporation can keep lawyers and tax experts busy figuring it from now to doomsday, but sales are sales and the ordinary bookkeeping of a business reveals them daily, weekly or monthly.

"FOR years to come we shall have to pay exorbitant federal taxes. The national budget will never again fall below $3,000,000,000. Since this heavy taxation is inevitable, we should apply our intelligence and our experience to its distribution over the economic machinery in such a manner as to produce the least strain and friction."

"Mind you, I was not proposing this sales tax for the purpose of increasing the revenues, but as a new means of procuring a part of them. That means that the easily paid three per cent would take the place of the very objectionable sort of taxation that we would do away with or reduce. I am convinced, moreover, that the deflation of prices that would follow from the disappearance of the excess profits and a reduction of the corporation income tax would far more than offset the 3 per cent. It would therefore be the most painless tax imaginable, and there would be no undesirable psychological reactions.

Increased Penalty on Production

"Instead of resorting to this level and equitable form of taxation which is levied on spending instead of on earning, which ought to be a permanent form of federal taxation, we actually, in time of peace, have increased the war emergency corporation income tax by 2½ per cent, thus increasing the penalty on production by 25 per cent, and have deferred the abolition of the excess profits tax. In other words we have taken a step that checks the return of normality and prosperity just at a time when we ought to be removing all such checks.

"However, if Congress passes the soldiers' bonus or so called adjusted compensation act, the failure to incorporate a sales tax into the revenue act of 1921 may be a blessing in disguise, for we shall have something to fall back on when it comes to finding the $425,000,000 a year that the bonus measure will demand in the next two years, to say nothing of its future requirements. I hope that if we have to face that enormous addition to the budget, the sales tax—a flat sales tax—instead of a number of harassing and difficult little special sales and excise taxes will be resorted to. It would seem especially fitting that a tax imposed for the purpose of rewarding a section of our population for an exceptional public service should be shared by everybody, instead of by certain classes and occupations.

"WE have yielded too much to the generous theory that taxes ought to be apportioned according to the ability to pay. It sounds good but it works badly. To tax the recipient of a million dollars income to the tune of $700,000 doesn't seem much of a hardship to a man who has only $2,000 of net income. He is apt to forget that his job goes up the flue along with the wealthy man's $700,000!"

"For years to come we shall have to pay exorbitant federal taxes. The national budget will never again fall below $3,000,000,000. Since this heavy taxation is inevitable we should apply our intelligence and our experience to its distribution over the economic machinery in such a manner as to produce the least strain and friction. The machine has got to carry a terrific burden, but we can adjust the load so that the factor of friction or strain at any one point will not cause a collapse. Just because the load is heavy is no reason why we should shut off oil from the bearings or apply the brakes when we need more power."

DELAY IN THE TARIFF

FURTHER delays have occurred in disposing of the tariff, with corresponding uncertainty and inconvenience on the part of business, which finds it difficult to ascertain what is intended or when it is likely to go into effect. The immediate delay is said to be due to the fact that the Senate Finance Committee is once more running through the various sections of the proposed bill for the purpose of finding out whether proposed rates may not be converted, in still larger measure, to a specific basis thereby avoiding the troublesome question of valuation. There may be some success in this attempt, but the adoption of some basis for valuation will nevertheless be unavoidable, and the question whether the so-called "American" system shall or shall not be applied, therefore continues to be urgent. As to this, manufacturers have now divided into two sharply opposed groups, the one hostile to American valuation, the other urging it. Conventions have been held in Washington for the purpose of enforcing the valuation idea upon Congress, but the evidence appears to indicate that there is marked difference of opinion within, just as there is without, the legislative body. As things are going, there is a rather serious prospect of unsatisfactory results. Changes from ad valorem to specific rates usually conceal the real effect of the shift, while the new valuation plan if adopted would have a similar effect. It is pretty generally conceded that a materially higher level of duties is likely to result from the modifications that are now being made in the rates. That almost necessarily means a lengthy debate. Considerable postponement in the enactment of the new measure thus appears to be unavoidable, and some now place the date when it will become law as far off as the coming Autumn.

The New York Stock Exchange Announces Important Reforms

Full Protection for Investors Planned—End of the Bucket Shops in Sight

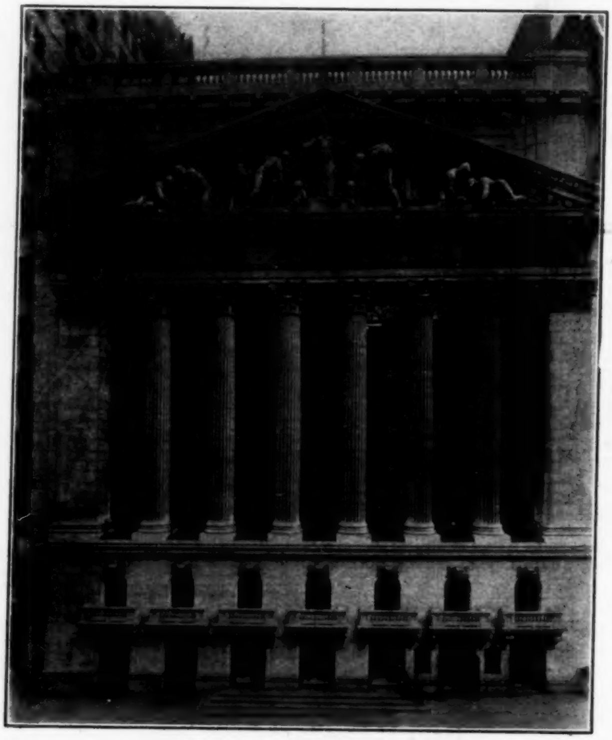
SINCE THE MAGAZINE OF WALL STREET began its anti-bucket shop campaign in its issue of November 26, 1921, three months ago, four important developments have occurred:

1—The public has clamored for reform.

2—A large number of failures of bucket shops have occurred throughout the country.

3—The New York Stock Exchange has announced a new policy.

4—The Consolidated Stock Exchange of New York has claimed in a public advertisement that its "disciplinary regulations are ample to control the conduct of its members in their transactions."



Most important in the above is the address delivered by Seymour L. Cromwell, President of the New York Stock Exchange, before the Association of Stock Exchange firms on February 3, 1922. Certain expressions in Mr. Cromwell's address might give the impression that he was at that time voicing his personal opinion, but such is not the case. It should be considered an official statement by the Governing Committee of the New York Stock Exchange, and as such it stamps approval of the anti-bucket shop campaign which THE MAGAZINE OF WALL STREET inaugurated, and which has since been taken up by the newspapers and magazines throughout the United States.

We congratulate the New York Stock Exchange on this far-reaching decision, which indicates that this great institution will no longer countenance the corrupt practices which have been growing up in Wall Street during recent years; that the Stock Exchange will do its own house-cleaning, and what is more important, see that the house is kept in order.

The public is to be congratulated as well, for with this announcement a new era begins in which the American investor will be assured more complete protection against confidence men operating under the guise of legitimate brokers. It means that the small investor will be encouraged instead of discouraged in his investment and trading operations on the "Big Board," and that the Wall Street Lamb will not be driven into unscrupulous folds.

Mr. Cromwell appeals for the co-operation of its member firms, the banks, and all who make use of its facilities. THE MAGAZINE OF WALL STREET hereby pledges its utmost co-operation in this movement, and requests that the one hundred thousand investors who are regular readers of its pages will, as Mr. Cromwell requests, "all work together to the end that the New York Stock Exchange may continue to contribute more and more to progress and prosperity."

The claims of the Consolidated Stock Exchange will be discussed in a later issue. Meanwhile, our readers will be enlightened and encouraged by reading the following complete statement by Mr. Cromwell:

It is obvious that in an organization of 1,100 members, most of them representing firms containing many partners, these firms often having branch offices and intimate relationships in various parts of the world, dealing as they do in such a variety of stocks and bonds, and in transactions of great magnitude, the machinery of such an institution is of necessity complicated and must represent an evolution constantly adapting itself to new conditions and dealing in the light of latest experience with new problems.

The conflicting interests, the great difference in the methods necessary for dealing in very active, as distinguished from dull, securities, the differing types of executions required as between Railroad, Industrial, Government or Foreign Bonds, these and many other complexities require minute attention to detail on the part of your Governing Board, and demand frequent changes of rulings and the adoption of new ideas to improve the service and to discharge in the highest sense our duty to the public.

Although the New York Stock Exchange is in both law and fact a private association of members, the place which the activities of the Exchange occupies is of such vital importance to the public welfare that the practices and policies of the Exchange are a legitimate matter of public concern.

We have heard a great deal in recent years of quasi-public corporations, owning what the lawyers call "private property, endowed with public interest." Public opinion is insistent that when the methods of management of private property may affect helpfully or harmfully the public interest, the managers of that private property have a direct responsibility to the public for the policies they adopt.

For an Open Market

The fundamental purpose of the New York Stock Exchange is to provide an open market for the free and untrammelled purchase and sale of the securities in which its members are authorized to deal. The proper performance of this function has an intimate relationship to the credit structure of the nation—indeed the smooth working of all commerce is dependent upon it.

That the Exchange may perform this function effectively, certain basic rules of procedure must be enforced, and I venture to believe that the whole of Stock Exchange law and practice grows out of a few propositions which may be very briefly stated as follows:

1. Securities offered for sale shall be sold at the best possible price obtainable on the Exchange at the time the offer is made, and conversely, any purchaser of securities shall obtain them at the lowest price at which anyone is willing to sell them.

2. Every transaction shall represent a bona-fide purchase and sale, this fact to be made manifest by the prompt publication of the transaction and reporting to the principals on both sides of the name of the broker on the other side.

3. Both sides of every transaction shall be responsible and good for their bargains. The moment there is the slightest doubt on this point, the facilities of the Exchange must be immediately withdrawn.

The responsibility of the Stock Exchange begins and ends when it has provided mechanical facilities for dealing, has seen to it that as far as possible both purchasers and sellers obtain the most favorable terms then available, and has used

its power to see to it that the terms of a bargain are promptly fulfilled.

Full Publicity

The Stock Exchange clearly can assume no responsibility for either the intrinsic or the market value of the securities dealt in, and it cannot and should not exercise the slightest influence upon the price at which securities are bought or sold. It does, however, at the time of listing, examine into the integrity of the company applying for listing and the legality of its securities, and gives full publicity of the company's statement for the information of prospective investors.

In very essence, the function of the Stock Exchange is, as far as may be, to assure all concerned that the transactions carried on under its auspices shall be in good faith.

Let us consider for a moment what that means. The securities in which members of the New York Stock Exchange are authorized to deal represent a par value of $18,464,305,009 in stocks, in addition to 30,714,634 shares of stock without par value and bonds in an amount of $61,369,359,260, as follows:

United States Government	$19,965,572,800
Foreign Governments	2,992,261,800
States of our own Country	196,053,040
Municipalities	641,930,940
Corporations	37,573,540,680

The purpose of the New York Stock Exchange is to furnish a market upon which anyone desirous of buying or selling any of these securities may have immediate opportunity to do so upon the best possible terms. Think what it means, that phrase "upon the best possible terms," when applied to such a vast volume of property; think how vital it is that some institution should perform such a service; and consider how serious the responsibility of the New York Stock Exchange, as a private institution, to safeguard this fundamental element of good faith.

It is agreed by everyone that the Stock Exchange must provide an absolutely free market. That is why it is so important that the Exchange continue as a voluntary unincorporated institution—any element of restraint surrounding our transactions means restriction upon the freedom with which the market itself may function.

That the public has a right to place its trust in members of the Stock Exchange may be gathered from the following figures: In the 10-year period ending 1919, the average business failures among Stock Exchange members was less than one-half of one per cent per annum. One-half of these settled in full with their creditors, thus reducing the absolute failures to one-quarter of one per cent. This was in a decade of violent speculation, of the most terrible war in history, of a complete derangement of the world's economic affairs, and of an absolute shut-down of the New York Stock Exchange for a continuous period of five months.

But conditions are constantly changing. Measures that satisfied yesterday's requirements may prove altogether inadequate to-morrow. The social conscience is continually changing; public opinion is going through a continuous evolution; and the Stock Exchange must be ever responsive to the changing conditions. The Stock Exchange must, as far as may be, anticipate legitimate public demand.

During the war our Government issued Liberty Bonds of some $25,000,000,000 in value. These were sold to some 20,000,000 of our people. Does not the creation of that army of small and inexperienced investors, who may sell their Liberty Bonds to-morrow to buy other securities, or who may, having once learned how to purchase securities in a public market, continue to invest their savings in that manner, create a very different obligation for close supervision by officers of the Exchange? Is not the case far different from that which obtained before the war, when the number of investors was so very much smaller and when the experience of the average investor was so much greater? Personally, I believe that it does.

SEYMOUR L. CROMWELL
President of the New York Stock Exchange

Independent Auditing a Protection

Practically all Stock Exchange houses have their books audited by independent accountants. This is a measure of great protection to the clients as well as to the firm themselves; but now the time has come when the members of the Stock Exchange must collectively assure themselves of the condition of one another's affairs. I, for one, stand absolutely for such a regular examination of the condition of Stock Exchange firms. There are certain facts which we must know about those firms who carry stocks on margin for the public; we must know the relation between their free capital and their commitments; we must know the obligations which they have entailed and which may be carried in the banks, and which might, due to the calling of loans, suddenly bring them to a condition of insolvency; we must know the character of numbered accounts, so that the Stock Exchange can be assured that no members have sold for their own account the stocks that they should be carrying for customers. Of course, these acts on the part of Stock Exchange members are of infrequent occurrence and are in direct violation to Stock Exchange laws, and disclosure of such methods of doing business had always entailed the severest kind of punishment; but I shall never be satisfied until we have carried our efforts for safety so far that insolvencies caused by improper dealing shall never occur among Stock Exchange firms.

This brings me to the general question of the bucket-shop evil. The Stock Exchange has waged a continuous war throughout years against the bucket-shops. The bucket-shop of the old days with its "Clean Sheet" has been replaced by a new device. Recent experience has shown that ingenious minds have developed methods of bucketing that seem to come within the law or at least in which it is difficult to invoke the law. Yet these methods of bucketing are abhorrent morally and directly in contravention of the spirit of fair trading. Against this new peril the Stock Exchange has set its face. The stocks of clients bought for clients must be carried for clients, not only by the members of the Stock Exchange, but by all brokers who have the remotest connection with the Stock Exchange. No Stock Exchange firm can evade responsibility for the names that it places on its books. How can the Stock Exchange successfully repudiate the bucket-shop on the outside when some Stock Exchange firms accept the accounts of houses doing this dishonest business? The excuse that they do not know will not hold. They should know, and I believe that any houses taking such accounts with proper diligence would know.

Within recent months more than one Stock Exchange house has appealed to our committees to protest against the removal of tickers from houses that were known to the authorities of the Exchange to be doing an improper business. I, for one, cannot be convinced that these appeals were made from disinterested motives.

In order that the existing high standards shall be maintained by Stock Exchange firms in their relations with one another and in their relations with the public, it is essential that the Stock Exchange be in a position to detect any variation on the part of its members from these high standards to the end that every such exception shall be eliminated at the earliest possible moment. Only while membership in the New York Stock Exchange gives assurance to the public of the absolute honesty and good faith of a broker, can we feel justified in asking that public for its business and its support.

Bank Should Investigate

I should like to suggest strongly to officers of banks that they be extremely cautious in recommending some dealers in securities. It has sometimes seemed to be sufficient for a depositor to have a substantial bank account to justify the officers of a bank in giving him letters of introduction which imply business integrity and responsibility. This failure on the part of banks to investigate character has at times been responsible for the distribution of securities of doubtful value and consequent losses to the public.

The unit of trading on the New York

(Continued on page 583)

What Can We Do to Rebuild Our Declining Foreign Trade?

How Dependent This Country Is Upon Export Business—The Need for An Economic Conference

By **JAMES B. MORMAN, Economist, U. S. Treasury Department**

IF legislation could solve the economic and financial problems of our business men they would have been solved long ago. For since the whole people are represented in state and national legislatures, it is certain that our representatives would have left no stone unturned if legislation could have placed the nation's business on a permanently sound and prosperous basis. This would have been done in the interests of the public welfare.

While it is evident that the improvement of general business conditions throughout the country is only to a slight extent subject to influence by legislation, the question is whether or not Congress cannot render some material help, particularly in the matter of foreign trade. This question is so important at the present time that it is highly worthy at least of a brief consideration.

The Limits of Legislation

In opening the agricultural and industrial conference in Washington on January 23 President Harding called attention to the fact that, so far as the improvement of domestic conditions were concerned, "legislation can do little more than give the farmer the chance to organize and help himself."

This view confines the power of national legislation for improving agricultural and business conditions within very narrow limits. At the same time, the fact must be plainly emphasized that general prosperity in this country depends in no small degree upon foreign commerce. In normal times trade with foreign nations creates an extensive market for our surplus agricultural and industrial raw materials and finished products. This is not only well recognized, but statistics will be presented a little later showing to what extent these markets have fallen off during the past year.

The question in which business men are vitally interested is: Can legislation be used as a means of extending the field of foreign trade with the object of stimulating business activity in the United States? Let us see.

So far as our foreign trade is concerned, legislation is not more directly able to enlarge its field than it is in the case of domestic markets. The extension of foreign markets depends upon government policy rather than upon legislative enactments. Nevertheless, this country has recently witnessed an illustration of how legislation can in a measure direct a government's policy and how that policy may be the means of increasing our foreign trade. I am alluding to the meeting of the international conference which began its sessions in Washington on November 11, 1921.

That conference probably would not have taken place had not Congress passed a resolution directing the President to call such a conference. Possibly the average layman will not think such a conference can have any relation to our foreign trade. But it is not at all unlikely that a very practical result will flow from that conference which may increase our foreign trade in the future. That is an outlook upon which business men can fix their eyes and imbibe new hopes with satisfaction. The practical result is possibly a real "open-door" policy in regard to China and other countries in the Far East.

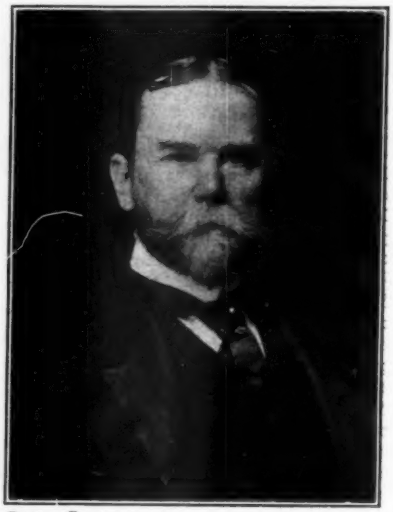
Extent of Far East Trade

As I have already pointed out to the readers of THE MAGAZINE OF WALL STREET, one of the delicate problems of the Far East related to the question of trade concessions to various nations in China. Under the influence of the Hon. John Hay, who was Secretary of State in 1899, the nations which had taken advantage of trade concessions were induced to adopt a so-called "open-door" policy toward the trade of China. It was evident at that time that the "spheres of influence" occupied by the various nations meant the disruption of American trade in the Orient. This "open-door" policy was the first step toward foreign trade in the Far East without prejudice against any nation.

This international policy, however, has since then only been theoretically maintained. Consequently, it came up for consideration at the recent international conference in Washington for final adjudication. Thanks to the persistency of the American delegates, it is now believed that a real "open-door" policy will be practiced by nations in the future as regards trade with China and the Orient.

In anticipation that this feature of the treaties between the powers will be faithfully observed, American exporting firms are preparing for an enlargement of trade in the Far East. That there is need for some such definite policy is evident from the following statistics as to our export trade during the past two years:

In 1920 the value of our agricultural and industrial exports to Asia and Oceanica for the eleven months ended November was $956,675,605. For the same period in 1921, the value of our exports was only $586,581,397—a loss of $370,094,208 in trade in a single year. That such a falling off in exports has an influence on our domestic business conditions can not be questioned; and, if it can be revived, then national legislation may be regarded as having been the means of opening the door to increasing trade for the merchants of the United States in the Far East.



Brown Bros.

JOHN HAY

Secretary of State under Roosevelt, whose "Open Door" policy was echoed in the recent conference at Washington

One other measure which, if enacted, will concern our foreign trade quite extensively arises from a joint resolution introduced in the Senate on December 22, 1921, by Senator France of Maryland, which has for one of its objects the stabilization of foreign exchange.

Proposed Economic Conference

This resolution, among other things, would require the President "to call an international economic conference for the discussion of economic problems and questions of international finance," because "serious disturbances of the exchange markets present insuperable barriers to the normal process of trade," and "because of the close community of financial, industrial and commercial interests of all the nations of the world there cannot be secured any co-operation for the solution of these common economic problems without an international economic conference."

The resolution enumerates 52 nations to be invited, covers every nation in the world, and includes Ireland, India, and in fact all the integral principalities of the British Empire.

The economic difficulties in Europe have already led to the calling of an economic and financial conference at Genoa in March, 1922, to which both Germany and Russia have been invited to send delegates. In view of the important trade relations between the United States and Europe, there is a strong desire among the leading European powers that this country should actively participate in the Genoa conference. The *Congressional Record* for Tuesday, January 24, also shows that there is a strong sentiment in the Senate that the United States shall be officially represented there. Whatever the outcome of this situation, it is certain that such a conference offers greater promise for the improvement of business conditions within

our own borders than all the other legislation which has been enacted with that object in view since the advent of the present administration in the control of government policies.

> **"It is certain that such a conference as that proposed at Genoa offers greater promise for the improvement of business conditions within our own borders than all the other legislation which has been enacted with that object in view since the advent of the present administration in the control of governmental policies."**

There are two important considerations with regard to foreign trade which justify an active part by this country in an international economic conference. These considerations are (1) the amount of our trade with Europe and (2) the necessity of stabilizing exchange in order to have a continuance of this trade.

The extent and value of our trade with Europe are shown by the following figures: In 1920 the value of our exports to that continent was $4,077,746,959; in 1921 their value was $2,209,358,101. This shows a shrinkage in value of exports in 1921 as compared with the preceding year of $1,868,388,858. These figures are reported by the Department of Commerce for the eleven months ended November for each year.

How long can exporters in the United States stand this steady decline in foreign trade? And what lesson can we draw from these statistics? This lesson surely comes home to business men, namely, that the loss in export trade not only makes demand for an international economic conference, but it shows to what extent an agricultural and business revival in this country waits upon the settlement of Europe's economic and financial problems.

Unstabilized Exchange

Inflation is the primary cause of the depreciation and unstabilized condition of European currencies. It is not confined to any particular country, though Germany at the present time holds the center of the exchange situation. The printing press has been issuing too many "promises to pay." The results are bad for international trade. Many nations are in a serious condition. The accompanying table shows the main facts as to the gold monetary units of various European countries, the fluctuation in exchange rates, and the percentage depreciation from par.

Other countries in Europe having the same unit of value as the franc containing 4.48 grains of fine gold under different names are Bulgaria, Finland, Greece, Roumania and Serbia. The currencies of all these countries are below par and some of them are approaching the borderland of absolute worthlessness.

That depreciation of currencies and fluctuation in exchange rates constitute a world-wide problem is shown by the fact that, on February 1, the depreciation from par in Argentina was 23.1%; in Brazil, 61.5%; in Japan, 4.2%; in India, 44.6%; and in Canada, 5.1%. Exchange rates in Russia and Austria are not determinable, being so near the zero point. The only currency which is now at par and has been so both during and since the European war is the American dollar. Hence the proposition to make it the monetary unit of value for the world, because of its stability and importance in conducting international commerce and finance.

National currencies, then, being unstabilized the world over has had the effect of unstabilizing international business relations. If this does not offer a field for practical statesmanship for the welfare of all nations concerned, then nothing does offer such a field in the whole range of economic and financial relations. Certainly, if this problem is not seriously considered soon, there is little hope remaining that some nations will ever be able to recover from the economic and financial chaos into which the world war has plunged them.

International Economic Pressure

While the representatives of the powers recently assembled in conference in Washington were all interested in the welfare of their respective countries, the question is: Have they given consideration to the monetary exchange problem which has thus been shown to be vital to the restoration to stability and normalcy of national economic life?

Pressure has been brought to bear upon our own government to call an international economic conference, but the administration at present is disinclined to take such a step though stating that such a meeting may be called later. On the other hand, most of the delegates to the limitation of armaments conference have already suggested unofficially the advisability of such a gathering of expert economic and financial representatives of the various nations with a view of discussing foreign debts, exchange, inflation, and international commerce, and, if possible, of reaching some remedy for existing conditions through concerted action.

As previously shown, the condition of European currencies is desperate and steadily growing worse with some nations. The one great problem as affecting domestic and foreign trade is currency instability from week to week. A study of the accompanying table shows that no currency is stable from one month to another. Some are rising a few points towards normal, others are sinking still lower towards the vanishing value point. It is only a question of time, if something is not done to stop this constant depreciation of the currency, when those particular nations will be unable to do business with other nations. At the present time merchants in central European countries are frantically trying to get rid of their depreciated paper money in efforts to get possession of goods which can still be bought. They prefer goods which are valuable to paper currency which is well-nigh valueless. This feverish buying has only stimulated speculation and resulted in still more aggravated inflation.

This foreign exchange situation has injured American trade tremendously. Few goods are sold except on a barter basis which is too primitive an economic process to meet the demands of modern trade conditions. **This very fact, however, is a clear recognition that the only basis of safe and sound international commercial relations is goods or their equivalent measured in gold, the only monetary medium of exchange which has remained stable through all the changing vicissitudes of war conditions.** But since no one of these nations has gold with which to exchange for goods, few contracts with American firms are now being made for future delivery as no trader can foretell what inflated currencies will be worth a week or month hence. This is the real heart of the most important problem now confronting all civilized nations in the world.

Notwithstanding a keen demand for American goods, currency fluctuations thus bar nearly all transactions between the United States and European nations. The stability of the American dollar, as compared with the instability of European national currencies, scares prospective buyers from venturing to import goods from the United States although American prices are sometimes lower than domestic prices.

Stabilization the Real Problem

Exchange fluctuations act against American trade in two ways: (1) Through variations in prices, and (2) through losses from customs duties.

Present trade in the unstable exchange countries is conducted either by direct barter of goods or by means of immediate payment in currency and delivery of goods. This largely excludes the United States because European merchants have not the slightest idea how much their cur-

(*Continued on page* 570)

Country	Unit of value	Grains of fine gold	Normal par of exchange	Exch. rate Feb. 1, 1922	Change from Nov. 1, 1921	Per cent depreciation from par
United States	Dollar	23.22	$1.00	$1.00	......	....
England	Pound	113.00	4.860	4.260	+0.3880	12.0
France	Franc	4.48	0.193	0.082	......	58.2
Italy	Lira	4.48	0.193	0.048	+0.0091	75.5
Germany	Mark	5.53	0.238	0.005	0.0010	98.8
Belgium	Franc	4.48	0.193	0.079	+0.0068	59.7
Holland	Guilder	9.33	0.402	0.350	+0.0115	13.0
Switzerland	Franc	4.48	0.193	0.194	+0.0129	....
Spain	Peseta	4.48	0.193	0.152	+0.0201	22.5

Looking Ahead in the Foreign Bond Market

How the Market Has Acted Since the War—The Profit Opportunities of Today

By **THOMAS B. PRATT**

INTEREST in foreign bonds, despite the flood of this type of securities in the American market in the past two or three years, continues without any perceptible lessening. New foreign government issues are brought out almost as quickly as the market can absorb them and negotiations are known to be going on for many new issues.

This interest is not confined to new issues, however, as trading in those that have been outstanding for some time is quite active, and in many of the issues on the New York Stock Exchange prices have advanced to a considerable extent. These advances in several cases have amounted to from 10% to 15%, while there are other issues that for one cause or another have not been as popular with investors but which hold out good possibilities for profit in the future.

Popularity of Foreign Issues

Twenty years ago it was a rare event in Wall Street for a house to make an offering of a foreign government bond. While there were a few issues floated before the war, the market for this class of securities really developed as a result of the war. The first big issue was the Anglo-French loan of $500,000,000 brought out in October, 1915. Outside of Canadian bonds the total number of issues that have been offered to the American public in about twenty years is 117. The par value amount of these issues is over four and a quarter billion dollars. At the present time there are outstanding bonds with a total par value of over one and three-quarters billion dollars. Twenty-six governments have at one time or another come to the American market for funds, and twenty-five states and municipalities outside of Canada have made offerings in the American market. There are now about fifty foreign government, state and municipal bonds actively traded in on the New York Stock Exchange.

The above record would not have been possible were it not for the interest taken in such securities by the American investor. **The United States has become a real international market for capital,** and while practically all the loans made so far have been government loans, yet it is generally conceded that the market will broaden out in the near future to include issues of foreign railways and industrials.

Price Movements

In the tables accompanying this article are given a list of bonds that have advanced over ten points from the low of 1921 and also a list of bonds in which the advances have been comparatively small. In the first list it will be noted that some of the advances have been exceptionally large. This is true particularly of the City of Tokio 5s of 1952 which were up twenty-seven points between the low of January 3, 1921, and the price at the close of the week of February 4, 1922. The Japanese 4s of 1931 also showed a remarkable advance of eighteen points, and the City of Copenhagen 5½s of 1944 showed an advance of sixteen points. Practically all of the large advances were limited to bonds of those countries and municipalities whose credit rating is high. Such countries and municipalities are Argentina, Denmark, Japan, Norway, Sweden, Switzerland, Great Britain, Belgium, and the Cities of Bergen, Berne, Christiania, Copenhagen, Zurich and Tokio.

Despite the large advances shown in this list, there are a number of bonds that still seem to be selling considerably below the level indicated by the credit rating of the issuing Governments, and economic conditions in those countries. It is interesting to note that practically all of the 8% bonds in the first table are selling within a few points of each other; the lowest being the Belgian 8s of 1941, which are selling at 106, and the highest the Swiss Consolidated 8s of 1940, which are selling at 114.

The best opportunities that still exist in these bonds are in the low interest bonds that were brought out before the period in which all foreign bonds carried 8% interest. Among the most attractive of these issues are the Argentine 5s of 1945; the Japanese 4s of 1931, and the City of Tokio 5s of 1952. It will be noted that the British 5½s of 1929 sold the first part of February at 103, as compared with 98⅛ for 5½s of 1937. This apparent discrepancy is due to the fact that the 5½s of 1929 are convertible into the British National War Loan 5s of 1929. For the purpose of conversion Sterling exchange is fixed at $4.30. This gives the investor indirectly a call on Sterling, and the rapid advance that Sterling has shown recently is the cause for the strength in this issue.

In the second list of bonds shown herewith, there are several issues which are selling at comparatively low prices, but in most cases the reasons for this are well understood by the investor. Five of this list are French. The economic problem of that country is one of the most serious that any great nation has to face. The French 8s of 1945 are selling on a level with the Chile 8s of 1946. Even with the serious problem that France has to face, her dependence upon the reparation payments, her heavy Government expenses in connection with land armaments, the problem she must solve in deflating her currency, it would seem that the French 8s should sell on higher level than the Chile 8s. The economic situation in Chile is in many ways as unsatisfactory as that in France. Chile has been guilty of gross extravagance in her Government

TABLE I—FOREIGN BONDS SHOWING ADVANCES OF 10 POINTS OR MORE

Name	Maturity	Amt. Issued	Int. Dates	Low—1921	Pres. Price Approx.	Pts. Advance	Yield at Pres. Price
Argentine 5s	Sept. 1945	$9,732,000	M & S	July 14 67	79	12	6.80
City of Bergen 8s	Nov. 1945	4,000,000	M & N	May 15 .... 93¼	108⅜	15⅛	7.22
City of Berne 8s	Nov. 1945	6,000,000	M & N	Jan. 5 93	108⅝	15⅝	7.22
City of Christiania 8s	Oct. 1945	5,000,000	A & O	Feb. 17 .... 94½	108	13½	7.27
City of Copenhagen 5½s	Feb. 1946	15,000,000	J & J	May 15 72	88	16	6.50
City of Zurich 8s	Oct. 1945	6,000,000	A & O	May 11 .... 94½	108	13½	7.27
Danish Municipal 8s	Feb. 1946	15,000,000	F & A	May 4 .... 95½	107	11½	7.35
Denmark 8s	July 1944	25,000,000	A & O	May 4 .... 95½	108½	13½	7.20
Japanese 4s	Jan. 1931	15,975,000	J & J	Jan. 3 56	74	18	8.10
Japanese, 1st Series, 4½s	Feb. 1925	72,000,000	F & A	Jan. 3 .... 75⅞	88	12⅛	9.15
Japanese, 2d Series, 4½s	July 1925	48,600,000	J & J	Jan. 4 .... 75⅞	86⅝	10¾	9.00
Italian 6½s	Feb. 1925	25,000,000	F & A	Jan. 3 81	93	12	9.20
Norway 8s	Oct. 1940	20,000,000	A & O	May 14 .... 96½	110	13½	7.03
Swedish 6s	June 1939	25,000,000	J & D	April 6 .... 81¼	97	15¾	6.28
Swiss 8s	July 1940	25,000,000	J & J	June 18 ... 103⅛	114	10⅞	6.65
City of Tokio 5s	Sept. 1952	9,720,000	M & S	Jan. 3 43	70	27	7.50
British 5½s	Aug. 1929	146,879,100	F & A	Jan. 3 86	103	17	5.01
British 5½s	Feb. 1937	143,587,000	F & A	Jan. 2 83	99⅛	16⅛	5.85
Belgium 6s	Jan. 1925	25,000,000	J & J	Jan. 4 87	97	10	7.15
Belgium 7½s	June 1945	50,000,000	J & D	March 11 .. 95½	107	11½	6.88
Belgium 8s	Feb. 1941	30,000,000	F & A	March 17 .. 96½	106	9½	7.40

expenditures. Certainly as a nation she has not the prestige that France enjoys, nor has she the well organized banking and commercial system that France has built up. One bond in particular in this list that seems to be selling below the general level of 8% bonds, is the 8% Bond of Uruguay, due in 1946. Uruguay today stands next to Argentina among the South American countries, insofar as credit is concerned. The country has a diversified export trade; its finances are soundly administered and its report on Government receipts and expenditures are models that many other nations might well follow. Certainly these bonds are entitled to sell at least on a level with the Queensland 7s.

Yields

Comprising the foreign bonds listed in the two tables, it will be noted that there are only two issues yielding under 6% and that both of these are British bonds. There are six issues yielding between 6% and 7%, and these are the issues of Argentina, Sweden, Switzerland, Belgium, Queensland and the City of Copenhagen. The apparent inconsistency of the Belgium 7½s selling above the 8s is explained by the fact that the 7½s are retirable at 115 through sinking fund operations which have already started, whereas the 8s are retirable at 107 beginning in 1925 through a sinking fund.

Most of the bonds showing a yield from 7% to 7½% belong to the Scandinavian group, although there are two Belgium and one City of Tokio issues in this classification.

The French, Chile, Uruguay and Brazil bonds are in the group yielding from 7½% to 8%, and in those yielding from 8% to 9% are one Japanese issue and the French Cities issues.

Classifying the bonds in the two tables by yields gives a fairly good indication of the respective value of these issues. There are some inconsistencies, however, the most important of which is in the Japanese issues. Japan's credit is certainly not on a 9% yield basis, but it must be remembered in the case of these issues that they are short-term securities. Uruguay is a little out of its class, but this is doubtless because the country is little known among American investors.

The Trend of Prices

Several months ago it was stated in THE MAGAZINE OF WALL STREET that the day of 8% foreign government bonds would pass very shortly. At that time, all foreign government loans that were being offered in the United States bore interest at the rate of 8% and they were offered to the public at a slight concession from par. Some of these issues were brought out as late as November, 1921. For example, two Chile loans were offered; one in October, and the other in November; the first at 99, and the second at 99½. Both were 8% bonds. The City of Rio de Janeiro sold 8% bonds in the New York market in October at 97¾ and there was an issue of Rio Grande do Sul offered in November at 99½. Even before this date, however, the trend was toward lower interest rates. In September, the Government of Queensland sold a 7% issue at 99.

The advance in prices for foreign government securities has been due to various factors. The principal one, of course, has been the decided easier trend of the money market. Many of the foreign securities offer the investor real opportunities for obtaining long term bonds at high rates of interest. Issues brought out in the future will, of course, bear interest in accordance with market conditions, and these are decidedly more advantageous to foreign governments at present than they were last year. The American investor has become accustomed to foreign government bonds and the risks of underwriting them lessens with each succeeding issue. Furthermore, American bankers will from now on be in active competition with London bankers. One indication of changing conditions in foreign government financing occurred at the end of 1921, when an issue of $40,000,000 Dutch East India 25-year 6% bonds was offered for subscription. It will be noted that this issue bore interest at 6%, which is 2% lower than foreign issues were being offered at a few months previously. The issue price, however, was 94½, which showed a yield of about 6¾% to the earliest redemption date, which is ten years, and of 6.45% to maturity.

Prospects for the Future

It is quite likely that in the near future efforts will be made by American bankers to bring out in this country foreign securities, other than those of governments. Already two railroads issues and one industrial have been offered in the United States. The industries and railroads of other countries are in great need of American funds and the investment of such capital by Americans means a great deal more to the United States than the assistance we may give them. It means also orders for goods of all kinds and consequently an increase in our foreign trade. It is this type of financing that has made London the international financial center of the world and that has increased her trade beyond all proportions to that to which she is entitled as a result of her natural resources. England has overcome the small size of her territory and the lack of raw materials by developing trade with other nations through financing their projects. This is a field that is open to Americans and most of the more progressive houses are looking into it, with the view of offering industrial and railroad securities as soon as conditions become propitious.

The opportunities that exist for America are all over the world. They are in all parts of South America, in China, in some parts of Europe, Africa and other sections. In this connection, it is well to point out that the position of many parts of the world today is similar to that which existed in the United States following the Civil War. European investors took advantage of that situation at that time and invested heavily in our railroads and industries. We have the same opportunities in other countries that European investors had at that time. And furthermore, we have the advantage of a normal dollar as compared to their depreciated currencies.

The past few months have shown extensive idle investment funds which have been placed into bonds at such a rapid pace as to cause an advance of 10% to 15% in the price of high grade securities. With the improving business conditions that are apparently under way, increased investment funds will be forthcoming and the opportunities for placing such funds in foreign securities will be many.

TABLE II—FOREIGN BONDS SHOWING SMALL ADVANCES OVER 1921 LOWS

Name	Maturity		Amt. Issued	Int. Dates	Low—1921		Pres. Price Approx.	Pts. Advance	Yield at Pres. Price
City of Bordeaux 6s	Nov.	1934	$15,000,000	M & N	March 15	74	82	8	8.82
City of Lyons 6s	Nov.	1934	15,000,000	M & N	March 22	73½	82	8½	8.82
City of Marseilles 6s	Nov.	1934	15,000,000	M & N	March 15	74	83	9	8.80
City of Rio de Janeiro 8s	Oct.	1946	12,000,000	A & O	Oct. 8	97¾	101	3¼	7.90
French 8s	May	1945	100,000,000	M & S	Feb. 26	96½	100½	4	7.95
French 7½s	June	1941	100,000,000	J & D	Oct. 31	93¼	95¼	2	7.95
Chile 8s	Oct.	1926	9,500,000	A & O	Oct. 22	98¾	100⅝	1⅞	7.85
Chile 8s	Feb.	1941	24,000,000	F & A	May 17	92	101	9	7.90
Chile 8s	Nov.	1946	10,500,000	M & N	Dec. 30	99	100½	1½	7.95
Uruguay 8s	Aug.	1946	7,500,000	F & A	Oct. 7	98¼	105	6¾	7.55
Queensland 7s	Oct.	1941	12,000,000	A & O	Oct. 7	99½	107½	8	6.35
State of Sao Paulo 8s	Jan.	1936	10,000,000	J & J	June 23	94¼	101¼	7	7.85
Brazil 8s	Jan.	1941	50,000,000	J & D	July 11	97½	103	5½	7.70

Money, Banking and Business

Getting Ready for Spring Business

Production Expanding—Credit Easy and Money Abundant—Banking Situation Stronger Than Ever—Former Still Unable to Liquidate—Foreign Trade the Weak Point

By **H. PARKER WILLIS**

NOTWITHSTANDING the pessimistic interpretations of some observers of business conditions, there is a continued movement of trade and industry back toward higher and more normal levels. The indications of this trend are found in better normal road freight movements, in larger consumption, in increased production, and in those forerunners of good trade which have come to be recognized as the symptoms of returning prosperity. Conditions are still somewhat unstable—so much so that it would be easy enough for Congress to hamper or forestall the arrival of a more prosperous situation by the adoption of unwise legislation. But this is for the future, and in the meantime there is advance along the lines already referred to.

Production Expanding

Productive activities are expanding. Although, as shown by the accompanying graphs representing the movement in unfilled steel orders and the amount of pig iron production, the advance is still slight and far from noteworthy; nevertheless, there has been better occupation for the works, better employment in the industry generally, and better demand for the product during the past thirty days, than had been expected, and better than the natural seasonal depression would have permitted in the absence of distinct improvement in the industry as a whole. The steel trade figures are in fact coming back to their original and true position as indexes of business in the general sense.

Moreover, the growth of production is by no means confined to steel. There is renewed activity in the textile industry and the sales of goods by some of the greater producers of woolens have been unexpectedly large. Merchants' stocks throughout the country have become unusually depleted and there is no longer any possibility of deferring the task of restocking, certainly in some important branches of business. As for leather and shoes, the recovery in some parts of the country has been decided, and the demand for finished products is good.

The Federal Reserve Board reports that demand for building materials has been about double this year what it was a year ago. Employment returns for many cities show that there has been a decrease in the number of men out of work, and that this decrease is likely to continue as the season advances. Altogether, there is a much more wholesome state of things in the producing community than has existed there for a good while past.

Money Situation Easy

The money situation has continued strong—too strong to be pleasing to some who like to see higher rates. Federal reserve ratios have continued to move up, hovering now usually around 77 per cent for the system as a whole, while the inflow of gold still maintains itself, even though at a lower rate of accumulation. The situation in its practical aspects may be reviewed in the accompanying charts, in which the course of money rates and of corporation credit are reviewed. As for the former, there has been relatively little change, although a study of the call money situation during January shows that there was a sharp downward dip which has been followed by recovery, though only to a fairly normal level.

The movement of time funds has also been downward, though not pronouncedly so, while in commercial paper and line of credit loans there has been decided easing of the situation. With commercial paper down to 4⅞ per cent and with the resources of the reserve banks largely in liquid condition, as shown by their high reserve ratio and a holding of bills well below a billion dollars, there is certainly an over-abundance of credit available for any legitimate commercial borrower who wants accommodation. This state of things moreover, is seen in the returns of member banks throughout the federal reserve system, practically all of them in the various parts of the country reporting that they are clearing up their "frozen loans" and getting into position to enlarge accommodation during the coming season as necessary. It is still true that in certain parts of the agricultural west and south, the frozen loan situation is unsatisfactory, but they are certainly the exception to the general rule, and even they show a slowly improving condition.

Investment Market Improved

This state of things is seen in the investment market. The upward movement in bond quotations is reflected in the graph which shows the condition of corporation credit in the New York market as illustrated by the prices of ten high grade railroad bonds. This now stands at only about 4.97 and indicates decided gain in the strength of corporate credit as shown both by the lessening of cost of such credit and reduction of net yield of securities which has come about as a result of the developments of January.

The lower commercial rates for money have tended to drive a fair share of funds into the form of investment and has created a demand for bonds which formerly did not exist. As the calls of commercial business for loan accommodation have fallen off, the tendency to invest in good bonds has grown stronger.

Similar conditions are reflected in the stock market, where prices have likewise moved further upward under the influence of expanding demand. Higher prices have not been confined to seasoned and dividend-paying stocks, but have also prevailed in the more speculative branches of the market, where better industrial conditions have been interpreted as affording ground for higher general valuation of securities whose worth is dependent on demand and better prices.

The notable movement of Federal Government bonds toward par has been symptomatic of the situation, but is in part due to better management of Treasury matters, although even that would hardly have produced the higher levels referred to without a general improvement in credit conditions and a less stringent state of things in the money market at large.

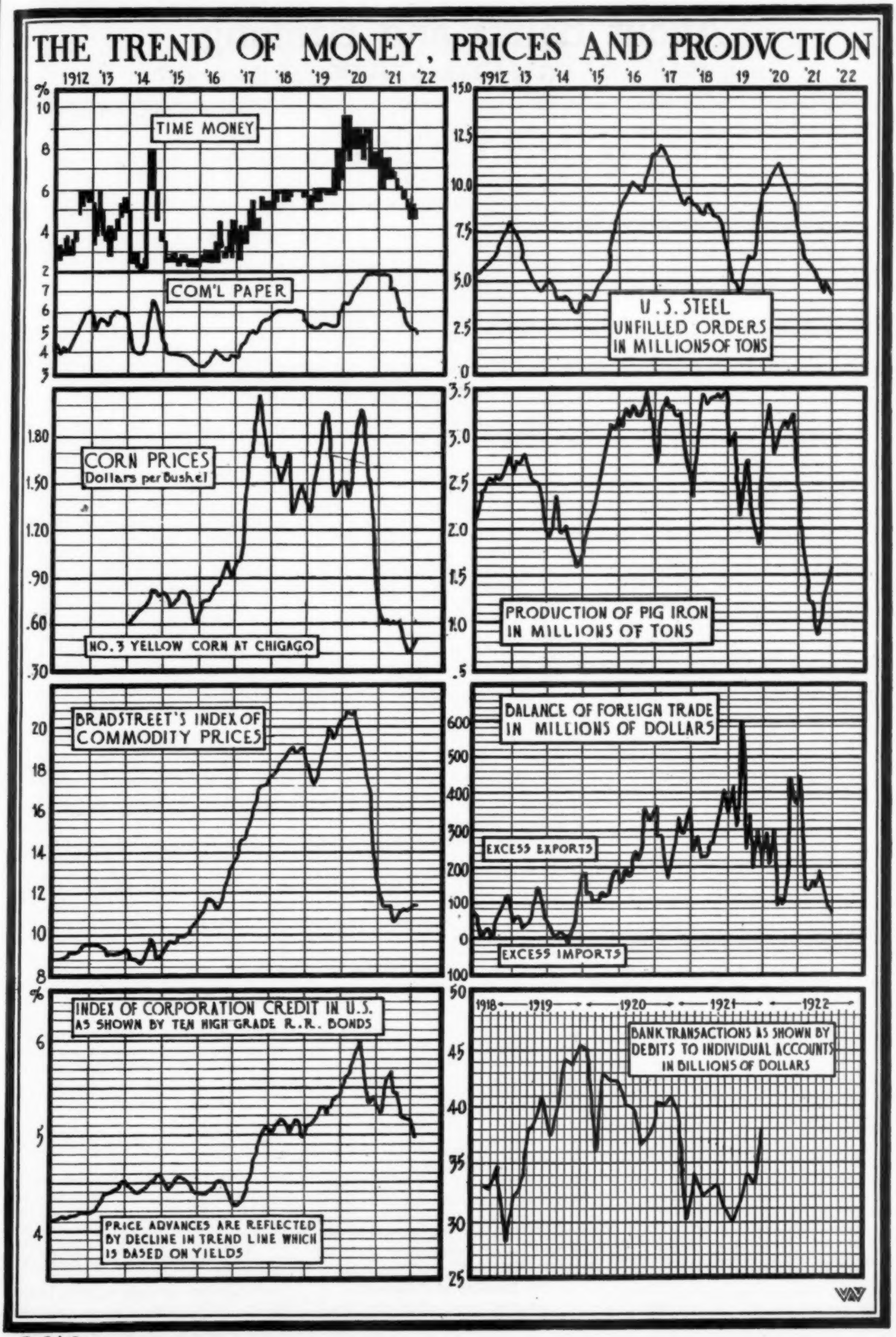
Price Situation Temporarily "Stabilized"

Temporarily at least, the price situation has evidently been stabilized. For fully six months the variations from the levels reached at the end of the long downward drop has been a small one. With a figure of about 140, as compared with a peak of near 270, prices have remained nearly fixed throughout the months since last August. During the past four to six weeks the movement of prices has been even less marked than it had previously been. This has proven a most beneficial condition for the restoration of activity in business and is helping materially in the recovery now in progress. Practically all of the price indexes (of which *Bradstreet's* is plotted in the accompanying graph) show very minor variation for six months past and but little in the past few weeks.

It must not of course be assumed that because there has been far greater general stability there has been no movement in individual prices. Some figures have moved up, others down, during the month of January, as well as before, but nearly all these changes have been wholesome. They have reflected simply the inevitable readjustment of values to a general level which was being worked out as a result of world conditions.

Reductions in prices have taken effect in former months to no small extent in staple raw materials but those of more

(*Continued on page* 578)


THE TREND OF MONEY, PRICES AND PRODVCTION
1912 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22
%
10
8
6
4
2
7
6
5
4
3
TIME MONEY
COM'L PAPER
15.0
12.5
10.0
7.5
5.0
2.5
0
U.S. STEEL
UNFILLED ORDERS
IN MILLIONS OF TONS
1.80
1.50
1.20
.90
.60
.30
CORN PRICES
Dollars per Bushel
NO. 3 YELLOW CORN AT CHICAGO
3.5
3.0
2.5
2.0
1.5
1.0
.5
PRODUCTION OF PIG IRON
IN MILLIONS OF TONS
20
18
16
14
12
10
8
BRADSTREET'S INDEX OF
COMMODITY PRICES
600
500
400
300
200
100
0
100
BALANCE OF FOREIGN TRADE
IN MILLIONS OF DOLLARS
EXCESS EXPORTS
EXCESS IMPORTS
%
6
5
4
INDEX OF CORPORATION CREDIT IN U.S.
AS SHOWN BY TEN HIGH GRADE R.R. BONDS
PRICE ADVANCES ARE REFLECTED
BY DECLINE IN TREND LINE WHICH
IS BASED ON YIELDS
50
45
40
35
30
25
1918 1919 1920 1921 1922
BANK TRANSACTIONS AS SHOWN BY
DEBITS TO INDIVIDUAL ACCOUNTS
IN BILLIONS OF DOLLARS

To Feb. 9.

About Banks and Banking

Is the Present a Good Time to Launch New Business Enterprises?

NUMEROUS inquiries from readers of THE MAGAZINE have indicated general interest in the question, "Is the present a good time to launch new business undertakings?"

As a general proposition it may be said that, if you have a sound idea to work on; if you have, or can secure, ample capital backing; and if you can put into your executive offices men of proven and mature judgment, you might just as well start in today as any other time.

In other words, success in business is not made or broken according to the general conditions under which a firm is organized, so much as it is according to the calibre of the organizers and their ability to adapt themselves to conditions as they are.

Knowledge Essential

However, it would be idle to deny that a full and complete knowledge of business conditions is essential to success. The man who opens up a clothing store when clothes are becoming a drug on the market, and who lays in a large stock at the prevailing price level, will have only himself to blame when the price-cutting sales start in and he finds himself unable to maintain the pace. In the same way, there is not much pity for the man who understocks himself during a period just prior to a boom, and whose subsequent efforts to re-establish himself almost constantly fall a few steps behind the market.

Business men who contemplate opening their own shops at the present time would do well to consider the subject of "conditions" from such an angle as this, and then inform themselves thoroughly before going ahead.

Lively Competition

At the present time, there are certain outstanding factors in the situation which should be considered by all prospective executives.

The outstanding factor of the present situation is the greatly increased amount of competition, and the likelihood of an even further increase in this direction in the months ahead. America's export market has all but disappeared, comparatively speaking; thus, whereas we shipped 4½ billions in goods abroad in 1919, we only shipped some 2 billions last year; and our trade balance has declined from 1919's record level of 600 million a month to the current depressing level of 60 million.

Add to this amazing decline in our foreign trade the very severe slump in domestic business and it is evident that home competition must have increased on a large scale.

Business men, before opening up new shops, stores, factories, etc., will give this factor of competition serious study. They will not go ahead until they have assured themselves of ample capital, to tide them over the "experimental" period. They will be careful to install a management which will be notable for its aggressiveness and shrewdness rather than for other talents. Precautions of this sort will be amply rewarded.

A Favorable Factor

Existing conditions give a handicap which, in some degree, favors new enterprises:

From the American Banker

Many of the larger corporations of the country laid in very large stocks prior to the slump which extended through 1921. During that slump, only the most fortunate were able to reduce their stocks to any great extent. A large proportion of our manufacturing companies today will probably be found overstocked, even today.

Excessive materials and supplies is a burden to any concern, particularly so in a falling market. The companies which have such a burden to contend with are at an apparent disadvantage over those which can start off on a current price basis, and who have to divert none of their capital to "carrying" inventory reductions.

The situation in this respect gives new concerns, in not a few cases, the "edge" on many established institutions.

Will Business Increase?

The question, "Will the next trend in the business cycle be upward or downward?" is, of course, of first importance in connection with the formation of new undertakings.

There are as many answers to this question, almost, as there are different lines of business. That is to say, the outlook at present is decidedly mixed. Nevertheless, there are certain fundamental developments toward the better in the general business situation, which give the situation a rather hopeful aspect.

Chief among these fundamental developments is the improvement in the credit situation. It was shown in a previous issue of this MAGAZINE how good an "index" of the credit situation was the ratio of the Federal Reserve Bank, and that a high ratio meant correspondingly ample bank resources.

It remains only to note that quite recently, the ratio stood at the highest point recorded in recent years.

Five Rules for Loan Seekers

Suggestions to Those in Search of New or Additional Capital

AS the result of an item appearing in a recent issue of the MAGAZINE, suggesting that this department would be glad to co-operate, wherever it could, with new undertakings of merit which were in the market for new capital, many letters of inquiry have been received.

To amplify the suggestions already made in response to letters of this character, we offer the following "rules for loan seekers" in the belief that they may be found helpful.

(1) Character

Banks approached on the subject of loaning money will frequently make the character of the intending borrower the subject of most careful investigation. A good "character," intangible as it may seem, is about the best asset a business man can have.

(2) Balance

A banking institution will naturally discriminate in favor of its previous clients. As between those clients, also naturally, it will discriminate in favor of those keeping larger balances. A good cash balance means considerably more than just so much "idle cash."

(3) Liquidity of Collateral

The collateral upon which the loan is to be based must bear the severest scrutiny. There is nothing to be gained from attempting to pad the value of such collateral. Furthermore, it is useless, as a general proposition, to hope to capitalize it if it is not of a truly "liquid" nature. This point, "liquidity of collateral" is one of the outstanding considerations in the matter of loans, and is not generally understood.

(4) Duration of Loan

Before making your application, it is a good idea to shorten the duration desired as much as possible. Under ordinary circumstances, banks prefer short term paper to long loans. It should be your effort to co-operate in this respect.

(5) Untried Enterprises

Banks of standing and reputation are most unlikely to consider applications for capital from promoters of new and untried enterprises. The objection springs from the fact that such enterprises are innately speculative. Individuals with money to invest are, generally, the best type to approach in such matters. They can afford to speculate. The banks cannot.

Incorporation, and sale of stock locally, is often the best plan.

Trade Tendencies

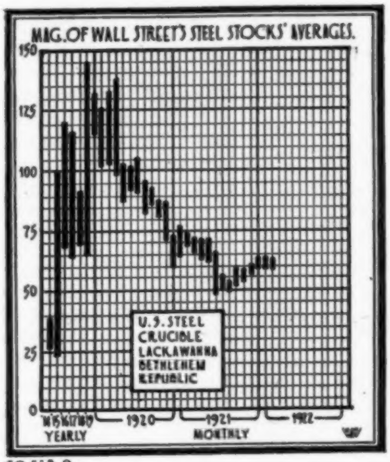
Business Dull But Hopeful

Conservatism Rules Buying Policy But Improvement Is Anticipated

STEEL

Sluggish Market

BUSINESS in steel generally shows a tendency to fall off, and it must be confessed that conditions throughout the industry are disappointing in consideration of the hopes held out at the beginning of the year. The sitnation is characterized by the absence of important consumers



TO FEB 9

from the market. This is due to two reasons: (1) the uncertainty which exists generally with regard to prices and (2) the ignorance of most consuming interests with regard to the amount of steel they will need for future requirements. The result is that orders for deliveries ahead show a tendency to decrease although this is not particularly marked, especially among the more important producers.

The busiest steel plants are those catering to the building trades. There is no doubt that but for the activity now prevailing in the building line, the showing made by the steel companies would be even less favorable than that now being made.

Cast iron pipe is a strong feature, some of the more important producers now operating as high as 75% capacity. Also sheets and tin plate are providing a good quantity of business. Production of both latter items has recently increased.

The pig iron market is dull and in fact prices have been shaded to a new low level. In Virginia all the blast furnaces are down owing to the fact that Virginia operators refuse to keep their plants going on a losing basis which is the situation at present in most districts. The coke situation is naturally clouded owing to the depressed pig iron market and prices are near their lowest.

The outlook for the steel and iron industries for the next few weeks is that conditions are likely to remain about the same as those now existing. An upturn in business is now not generally expected nutil Spring is well under way.

SPOT PRICES OF LEADING COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1921 High	1921 Low	1922 Last*
Steel (1)	$43.50	$29.00	$28.00
Pig Iron (2)	30.00	18.00	18.00
Copper (3)	0.13¾	0.11	0.13¾
Petroleum (4)	6.10	2.25	3.25
Coal (5)	3.00	1.80	1.80
Cotton (6)	0.21¾	0.11	0.17
Wheat (7)	2.04	1.08	1.23
Corn (8)	0.70⅛	0.44	0.49
Hogs (9)	0.11⅛	0.06¾	0.09
Steers (10)	0.11⅛	0.08¼	0.09½
Coffee (11)	0.09¾	0.05¾	0.09¾
Rubber (12)	0.23	0.14	0.15
Wool (13)	0.48	0.43	0.45
Tobacco (14)	0.25	0.15	0.20
Sugar (15)	0.06¼	0.03⅞	0.03¾
Sugar (16)	0.08½	0.05¼	0.05½
Paper (17)	0.06½	0.03¾	0.03½

*January 9.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky. — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL—Prices lower. Competition prevails. Operations slightly lower. Consumers pursue waiting policy. Quiet conditions likely for next few weeks.

METALS—Copper market somewhat weaker. Export buying subsides. Prices lower. Companies planning resumption of production. Immediate outlook not very satisfactory. Lead in strong position. Tin and zinc weak.

OIL—Over-production of crude oil. Irregular situation in refined products; but the price trend of most products is downward. Outlook for next few weeks is unfavorable.

WHEAT—Stronger market. Europe resumes buying. Flour interests more active in the market. Statistical position now stronger. Immediate outlook encouraging.

LEATHER—Slump in industry. Hides and skins quiet and the same is true of the cheaper grades of leather. No change likely in immediate future.

TIRES—Production increased. High-priced inventories liquidated. Larger companies in firm financial position. Favorable outlook.

MOTORS—Still in unsettled condition. More price cuts. Production increasing due to seasonal buying.

SUMMARY—The present business situation is "spotted." Distributive trade is generally reactionary. The basic industries are not very active. Sentiment is improved, however, and a higher scale of activity is looked for with Spring.

OIL

Buyers Pursue Waiting Policy

The oil market continues highly unsettled. Much uncertainty exists with regard to the immediate course of prices, though it is pretty generally believed that some time this year prices will be higher than those currently quoted.

The continued high rate of crude oil production continues to exert a depressing effect. In some quarters it is believed that if this situation continues much longer mid-Continent crude will have to descend to a lower price level.

Most of the refined oil products are weak. Several of the larger companies have cut the price of gasoline and kerosene is also dull and weak. Demand for

bunker oil has not materialized to any large extent and as a consequence the market is unsettled. Fuel and gas oil are not in demand just now.

There has been very little change in the export market of late. Buyers are cautious and are showing little disposition to give up their hand-to-mouth buying policy. However, despite the large supplies and small demand, exporters have not shown

(*Continued on page* 580)

How Investors Profit from Tax-Free Bonds

What Exemption Means to Those Investing Large Amounts—A Few Misunderstood Features Explained

By LYLE T. ALVERSON
Member of the Bar of the District of Columbia

THE Federal income tax law expressly excludes from the computation of taxable net income the interest upon the obligations of a State, Territory, any political subdivision thereof, or of possessions of the United States. The exemption of interest on State and municipal obligations is of course founded more deeply than the mere statement set forth in the revenue statute, and springs from the inherent relation of the State Governments to the Federal Government. Each government is supreme within its own limits, defined in the Constitution, and, because "the power to tax is the power to destroy," taxation of the machinery or agencies of the States by the Federal Government, or vice versa, is prohibited by the most necessary of implications.

TAX-FREE VS. NON-TAX FREE BONDS*

COMPARISON OF YIELDS

Amt. of capital invested	Yield from gilt-edge tax-free bond investment	Yield after taxes from investment on 5% basis in taxable gilt-edge bonds by individuals with other incomes as indicated				
	Other income:	$0,000	$4,500	$7,500	$15,000	$50,000
$20,000	4.25%	5%	4.7%	4.55%	4.4%	3.45%
30,000	4.25%	5%	4.73%	4.55%	4.38%	3.45%
50,000	4.25%	5%	4.66%	4.55%	4.37%	3.44%
75,000	4.25%	4.93%	4.62%	4.53%	4.35%	3.43%
100,000	4.25%	4.90%	4.60%	4.52%	4.34%	3.41%
250,000	4.25%	4.67%	4.50%	4.43%	4.21%	3.32%
500,000	4.25%	4.49%	4.33%	4.25%	4.00%	3.16%
1,000,000	4.25%	4.14%	3.99%	3.95%	3.73%	2.85%

This table does not take into account any taxes other than Federal income taxes, nor has any allowance been made for benefits of tax-free covenant clause, although a number of gilt-edge railroad and industrial bonds contain such clauses.

*Married man exemptions.

This situation has lately given rise to widespread comment, because it affords an avenue of complete escape from the Federal income tax levies, which, no doubt, has been utilized more or less extensively by persons with large fixed incomes.

Value of Tax-free Feature

The extent and value of this means of avoidance of income tax levies is often misunderstood. The privilege of investment in tax-free securities is by no means as valuable as it is sometimes represented. Only the investor with a capital of $100,000 and upwards, and with a taxable income of substantial size from other sources, can increase his net investment yield by commitments in tax-free securities rather than in industrial or railroad bonds of an equal degree of safety.

A comparison of returns afforded by tax-free and non-tax-free bonds is presented in the accompanying table. This table is built upon the hypothesis that a gilt-edged tax-free bond should yield 4.25% on the capital invested, and that a taxable bond of a similar degree of safety should return 5% of the investment. It is true of course that the value of the tax-free feature increases with the relative yields of the bonds compared, but the results disclosed by this table would generally be constant if bonds with higher yields were compared, provided only that the bonds compared be of the same class, e. g., middle-grade with middle-grade. The tabular computations are based on the surtax rates applicable to incomes of 1922 and subsequent years.

A study of the comparative yields as set forth in the table shows that the value of the tax-free investment privilege also increases with the amount of capital invested, and the amount of other income not exempt from tax. This is true because of the sliding scale of surtaxes. Greater incomes entail greater tax rates and, consequently, smaller yields from investment funds committed to taxable securities.

Since all of the factors, which must form the basis of a determination whether advantage lies in tax-free commitments, are variable, no investment should be made when there is any question of the desirability of tax-exemption without an actual computation based upon figures approximately correct.

Constitutional Amendment

It has been seriously suggested that the exemption from Federal income tax of the interest on State and municipal obligations be abolished by constitutional amendment; indeed, such an amendment has already been formally proposed in the House of Representatives. There is no chance for the immediate adoption of such an amendment, if for no other reason that several years must elapse before the formalities necessary to amend the Constitution can be complied with, and the preliminary discussion is sure to be full and complete. Such an amendment would be a real invasion of States' rights, and would be certain to meet opposition in many sections of the country where that doctrine has flourished. Nevertheless, the fight is on, and it behooves both sides immediately to perfect their weapons and defenses.

It is not conceivable that such an amendment would affect obligations already in the hands of investors, except perhaps greatly to enhance their value.

Scope of the Exemption

Owners of tax-exempt securities should remember that not only is the interest on such obligations exempt from Federal income tax but any profit resulting from realized discount in lieu of interest is likewise exempt. Thus, if a municipal bond is purchased at 95 and sold before maturity at 98, the resulting three-point profit is not taxable, except that the total exempted discount cannot exceed the discount at which the bond was originally sold.

The State of New York does not recognize that the doctrine of independent sovereignty of the States extends so far as to exempt from its income tax the interest received by residents of New York on bonds of sister States. Investors in State and municipal securities resident in New York should remember therefore that though their investments are protected from the levies of the Federal income tax, the New York State Income Tax Regulations require them to report for taxation the interest received from the obligations of other States or subdivisions of States.

Tax-free Covenants

In addition to the obligations of States, Territories, political subdivisions thereof, and of possessions of the United States, the interest on which is exempt from Federal income tax, there are a great number of industrial and railroad bonds, actively bought and sold for investment and speculation purposes, which contain a so-called "tax-free" covenant clause. For the most part, these bonds were issued by the several corporations obligated under them before the Federal income tax became a factor of the importance it is today.

Although the exact wording of the clauses in the different bonds varies, the language of many of them appears to provide that the bondholder shall receive his interest unreduced by any tax whatever. Patently, at the time most of these bonds were issued, income tax rates of fifty percent and more were not foreseen, and however broad the clause it could hardly have been intended that the issuing corporation should pay in addition to the interest the heavy tax levies on incomes made up in whole or in part of such interest. Certainly the borrowing corporations did not contemplate such a possibility.

When enacting the revenue laws, Congress foresaw that owing to the wide difference in wording of the many covenants, and the varying rates of taxes collectible from bondholders with different incomes, great confusion would result from any attempt to collect directly from the obligor corporations the taxes that might become due on the incomes of the recipients of the interest. Yet if the amount is certain, income taxes on corporate interests are collectible at the source more easily than from the recipients, and if the corporations were bound to pay a part or all of such taxes, it would be simpler all around for them to make the payment directly to the government.

Congress provided therefore that in any case where corporate obligations contained a promise by the borrower to pay in whole or in part the tax that might become due from the lender on account of the interest, the corporation should withhold and pay directly to the government an amount equal to two percent of the interest. The questions, whether the corporation should be entitled to reimbursement from the bondholders for the amount so paid to the government, or whether the bondholder might require of the corporation further payment of his income tax by reason of the receipt of such interest, were left as a matter of adjustment between the corporation and the bondholders. As a matter of fact no such adjustment is ordinarily undertaken.

LOSS INCURRED BY FILING

"Exemption Claimed" Certificate

Other income in excess of deductions	$6,000.00
Income from tax-free covenant bonds	6,000.00
Total income	$12,000.00
Tax (1922 rates)	$720.00
If exemption not claimed, deduct:	
Amount paid directly to government by bond obligor	120.00
Net tax payable if right certificate filed	$600.00

Practical Effect

The amount paid by the corporation to the government is paid on behalf of the bondholder, and reduces by so much the total income tax due from him; and the income tax blanks provide for the deduction of the amount so paid from the total tax otherwise due. It might also be stated, parenthetically, that prior to the Revenue Act of 1921, the Government viewed such payment as additional income to the bondholder and provided for its inclusion on the blanks. This of course reduced to a small extent the value of a tax-free covenant.

Now, of course, the bondholder is not always taxable—his total income may be less than the allowable exemptions. If he is not taxable, the corporation need not pay to the government any amount on account of his interest. For this reason, and because the government requires a means to check all receipts of interest, whenever a bondholder seeks to cash an interest coupon, he is called upon to fill out and sign an "ownership certificate." The choice of the form of "ownership certificate" is an exasperating matter to most individuals, because the reason for the requirement is not generally understood.

In the ordinary case, the choice lies between the two forms, "exemption claimed," and "exemption not claimed." Many bondholders will sign either form indiscriminately "just so's to get the money." The difference lies here: If the bondholder *is* subject to income tax, and files the certificate on which exemption is claimed, in effect he erroneously notifies the corporation liable on the bond that he *is not* subject to such tax. The corporation, then, does not pay to the government on behalf of the bondholder two percent of the interest collected, and the bondholder *may not* deduct from his total tax such amount. That is, when a bondholder subject to tax files a certificate in which the benefit of the exemption or credits is claimed, he waives an advantage that is rightfully his by virtue of the tax-free covenant clause. If, on the other hand, the bondholder really is not subject to income tax, the clause is of no benefit to him, and he should of course discharge the corporation by claiming the exemption and credits, so that it will not pay taxes to the government that are not rightfully due.

The example shown in the accompanying table will illustrate the loss which would be incurred by filing the certificate "exemption claimed" when liable to pay income tax because the total income exceeds the allowable credits by, say, $12,000.

If the taxpayer in this example filed the "exemption claimed" certificate, in which event the corporation would not have paid an amount equal to two per cent of the interest to the Government, his tax would be $720.00, instead of $600.00, a net difference of $120.00.

The rule to remember is, if you are subject to income tax, do not when cashing bond coupons file the certificate "exemption claimed."

Public Debt Slowly Reduced

Federal Government Makes Progress Toward Reducing National Debt At the Rate of About $300,000,000 a Year

ANALYSIS of the accompanying table showing the comparative public debt of the United States reveals the fact that since December 31, 1920, there has been a net decrease in the public debt of about $538,000,000. This is in truth not a large reduction. However, in comparing these figures with those extant August 31, 1919, when the national debt stood at $26,596,000,000 it will be seen that the present debt of $23,438,000,000 represents a decrease of about $3,158,000,000—a very creditable performance on the part of the Treasury officials.

Of the $3,158,000,000 reduction about $1,875,000,000 is represented by decreases in Treasury balances and about $1,275,000,000 is represented by actual reduction through surplus receipts. Since the beginning of the fiscal year of 1921, the various operations applied to reduction of the public debt have been at the rate of $300,000,000—$400,000,000 a year which is not a particularly rapid rate considering the $23,000,000,000 national debt. However, under present circumstances it is probable that this rate of reduction is about as rapid as can be expected.

Of the total outstanding debt—about $23,500,000,000—about $6,500,000,000 fall due within the next year and a half. Of this amount, there is $3,500,000 in the form of Victory notes and about $2,200,000,000 in the form of Treasury certificates, and nearly $700,000,000 in War Savings Certificates. The problem of funding this debt on a long-term basis remains one of the pressing ones faced by this Administration.

The Government's budget for the current year is about $4,000,000,000 and for the following fiscal year it is expected to amount to about $3,500,000,000. It is estimated that total receipts for the current year will approximate $3,968,000,000 as against total expenditures of $3,992,000,000. This would leave a deficit of about $24,000,000 which is fairly close figuring considering the large amounts involved. The receipts for the next fiscal year are estimated at about $3,345,000 against total expenditures of $3,512,000,000. This would leave a deficit of about $167,000,000. Such an estimate however is without much value as the revenues of the Government naturally will be affected by the business conditions which obtain.

Senator Smoot (see page 520) estimated that the Government's expenditures during a number of years to come will not fall below the $3,000,000,000 mark. Assuming this estimate to be approximately correct, it will be seen that the budget is already reduced nearly to the minimum of which it is capable of being reduced.

(*Continued on page* 579)

PUBLIC DEBT OF THE UNITED STATES

Class	Dec. 31, 1920	Dec. 31, 1921
Pre-war Debt	$883,622,190.00	$883,784,050.00
Liberty Bonds	15,285,832,800.00	15,207,389,400.00
Victory Notes	4,225,928,250.00	3,548,289,500.00
Certificates of Indebtedness	2,592,811,950.00	2,195,505,000.00
Treasury Notes:		
Series A—1924	....	311,191,000.00
Series B—1924	....	390,706,100.00
War Savings Securities	756,768,190.53	651,844,374.27
Matured Debt	7,597,390.26	11,867,140.26
Debt Bearing No Interest	225,242,689.37	238,317,186.83
Total Gross Debt	$23,977,803,400.16	$23,438,984,351.36
Net Decrease	....	538,819,108.80

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	Foreign Governments. BETTER GRADE.			
1.	City of Christiania (b) 8s, 1945	108	7.25	..
2.	Danish Municipal (b) S. K. 8s, 1946	107	7.35	..
3.	City of Zurich (b) 8s, 1945	108	7.25	..
4.	City of Copenhagen (b) 5½s, 1944	88⅛	6.50	..
5.	Kingdom of Sweden 6s. 1939	97¼	6.25	..
6.	Argentine (c) 5s. 1945	79⅛	6.75	..
7.	U. K. of Gr. Britain & Ireland (c) 5½s, 1937	99⅛	5.55	..
8.	Dominion of Canada (c) 5s, 1931	96⅜	5.25	..
	MORE SPECULATIVE.			
1.	Kingdom of Belgium (a) 6s, 1925	97	7.10	..
2.	Kingdom of Italy (d) 6½s, 1925	93½	9.00	..
3.	Republic of Chile (b) 8s, 1941	101⅛	7.80	..
4.	Sao Paulo (b) 8s. 1936	101⅛	7.80	..
5.	U. S. of Brazil 8s, 1941	103	7.70	..
	Railroads. GILT EDGE.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	90	7.25	.80
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	84	5.35	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	88⅝	4.85	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	84⅛	4.95	1.65
5.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	87	4.75	2.40
6.	Union Pacific (b) 1st Mtg. & L. G. 4s, 1947	90½	4.65	3.65
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	81⅛	5.90	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1948	87½	4.85	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	87⅛	5.25	2.00
10.	West Shore (a) 1st Mtg. 4s, 2361	80	5.00	**
11.	Norfolk & Western (a) Cons. 4s, 1996	86¾	4.65	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	105⅛	4.75	1.40
13.	Atchison (b) Genl. Mtg. 4s, 1995	88½	4.55	3.90
14.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	81¼	4.95	1.00
	Industrials.			
1.	Diamond Match (c) Deb. 7½s, 1935	108	6.55	†
2.	Armour & Co. (a) R. E. 4½s, 1939	88⅛	5.55	6.75
3.	General Electric (b) Deb. 5s, 1952	97⅛	5.15	5.55
4.	International Paper (a) 5s, 1947	86	6.05	16.70
5.	Indiana Steel (a) 5s, 1952	98	5.15	**
6.	Liggett & Myers (aa) Deb. 5s, 1951	94⅛	5.35	4.80
7.	Baldwin Loco. (a) 5s, 1940	100	5.00	2.65
8.	National Tube (a) 5s, 1952	96¾	5.25	**
9.	Corn Products (a) 5s, 1934	98½	5.15	60.70
10.	U. S. Steel (a) 5s, 1963	100⅛	4.95	8.70
	Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	102	5.85	3.40
2.	Pac. Tel. & Tel. (a) 5s, 1937	94⅛	5.50	1.75
3.	Amer. Tel. & Tel. (c) 5s, 1946	96⅜	5.25	4.80
4.	Philadelphia Co. (c) 6s, 1944	94⅜	6.50	4.15
5.	N. Y. Telephone (b) 6s, 1941	102⅞	5.75	**
6.	Montana Power (c) 5s, 1943	95	5.40	2.90
7.	Cal. Gas & Electric (a) 5s, 1937	93⅜	5.65	4.15
8.	N. Y. G., E. L., H. & P. (a) 5s, 1948	95	5.35	2.10
	Railroads. MIDDLE GRADE.			
1.	Southern Pacific (b) Col. Trust 4s, 1949	79	5.50	2.40
2.	Illinois Central (b) Col. Trust 4s, 1952	81¾	5.20	2.25
3.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	77¼	5.65	.80
4.	Norfolk & Western (a) Conv. 6s, 1929	105⅞	5.05	3.95
5.	Atchison (a) Conv. 4s, 1960	96⅛	4.15	3.90
6.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	68⅝	6.40	1.60
7.	Cleve., Cinn., Chic. & St. L. (a) Deb. 4½s, 1931	87	6.40	2.40
8.	Ches. & Ohio (b) Conv. 5s, 1946	85	6.25	1.55
9.	Pere Marquette (c) 1st Mtg. 5s, 1956	90⅜	5.65	2.05
10.	Kansas City Southern (a) 1st Mtg. 3s, 1950	64⅜	5.50	1.70
11.	N. Y., Chic. & St. Louis (a) Deb. 4s, 1931	81⅛	6.80	2.35
12.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	74⅝	5.40	2.00
	Industrials.			
1.	Wilson & Co. (a) 1st 6s, 1941	95	6.45	2.10
2.	Comp. Tab. & Recording (b) 6s, 1941	92⅛	6.70	5.45
3.	Adams Express (b) 4s, 1948	75	5.85	2.60
4.	Int. Merc. Marine (b) 6s, 1941	91⅞	6.80	5.15
5.	Lackawanna Steel (c) 5s, 1950	84	6.25	6.90
6.	Bush Terminal Bldg. (a) 5s, 1960	89	5.75	2.35
7.	U. S. Rubber (c) 5s, 1947	87	6.00	5.00
8.	Amer. Smelting & Refining (c) 5s, 1947	88⅛	5.85	9.55
9.	Goodyear Tire (c) 8s, 1941	112⅛	6.80	x
10.	Du Pont de Nemours (c) 7½s, 1931	108⅜	6.95	..
	Public Utilities.			
1.	Public Service Corpn. of N. J. (a) 5s, 1959	77½	6.65	..
2.	Detroit Edison (c) Ref. 5s, 1940	91	5.85	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	89	5.85	1.35
4.	Northern States Power (b) 5s, 1941	89	5.95	1.80
5.	Brooklyn Edison (c) 5s, 1949	90	5.75	2.20
6.	Utah Power & Light (a) 5s, 1944	89⅝	5.85	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	88⅛	6.15	1.70
	Railroads. SPECULATIVE.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	60	7.30	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	70	8.45	..
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	73	7.95	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	74¼	8.25	*1.90
5.	Southern Railway (a) Genl. Mtg. 4s, 1956	62	6.95	1.85
6.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	61⅛	6.65	.90
7.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	84	6.65	1.40
8.	Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	69½	9.25	.50
9.	Denver & Rio Grande (c) 1st Ref. 5s, 1955	46⅛	11.10	1.15
	Industrials.			
1.	Chile Copper (b) 6s, 1932	87	7.90	3.80
2.	Va.-Carolina Chemical (c) 7½s, 1932	92⅝	8.00	2.75
3.	American Writing Paper (a) 6s, 1939	82	9.10	1.90
4.	American Cotton Oil (a) 5s, 1931	82½	7.85	3.15
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	78⅛	6.65	*1.60
2.	Intr. Rapid Transit (a) 5s, 1966	64⅝	7.85	*2.60
3.	Third Avenue (b) Refg. 4s, 1960	62	6.80	*1.20
4.	Va. Rwy. & Power (a) 5s, 1934	72¾	8.70	1.90

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500.
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(d) Lowest denomination, $50.

xThis issue was created on May 1, 1921.

†This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.

*Number of times over interest on these bonds was earned.

**Earnings are not reported separately.

‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years.

BONDS REACT FROM JANUARY HIGH PRICES

Normal Setback After Heavy Volume of Trading in a Rising Market

As was very much to be expected the bond market met with a great deal of profit taking from the speculative element, and this, together with a slackening of demand after the January rush for re-investment, brought about lower prices for practically all classes of bonds. There were a good many cases where bonds continued to advance, but in most cases this was entirely due to local conditions.

There was really no new incentive to warrant a continuance of the rise, which has now been going on for over seven months, and the indications are that bond prices will continue to fluctuate between a narrow range for some little time to come. The much heralded report that the Federal Reserve Banks were going to make another reduction in the rediscount rate has failed to materialize as yet. Time money continues to be plentiful between 4¾ and 5%, with commercial paper about the same and call money fluctuating between 4½ and 6%. That prime bonds have pretty well aligned themselves with these conditions may be seen by a glance at the average yield of the first five bonds in the gilt edge railroad group, exclusive of the Baltimore & Ohio, So. West Div. 1st mtge, 3½s and the most seasoned issues in the gilt edge industrial group.

Bonds by Groups

The foreign Government bonds made the best showing in the past two weeks. Such issues as City of Christiania, Danish Municipals, Argentine, Kingdom of Sweden and United Kingdom of Great Britain advanced about a point, whereas in this group the largest reaction did not exceed three-fourths of a point.

The majority of railroad bonds reacted a point and over. In the case of the Nickel Plate 1st mortgage 4s, which had risen rather sharply, a decline of four points took place. The largest other declines were recorded by Southern Pacific issues, Atlantic Coast Line 1st 4s, West Shore 1st 4s, Rock Island General 4s, Illinois Central Co. Trust 4s and Baltimore & Ohio 1st 4s.

The majority of industrial bonds were unchanged from their January prices, the only declines taking place in Corn Products 1st 5s, U. S. Steel 1st 5s, International Paper 1st 5s, Adams Express 1st 4s, and Lackawanna Steel 1st 5s.

The largest reaction in any of these bonds was one point.

There was practically no change in the gilt edge public utility group. The feature here was the Duquesne Light 1st mortgage 6s, listed as first choice, which went against the general trend of the market and advanced one point to 102. In the middle grade group there were numerous declines ranging from ⅝ths to 1 point.

Speculative Bonds

Among the speculative bonds the railroad bonds suffered the worst setback. The Western Maryland and Iowa Central issues reacted 1½ and 2 points respectively, while several other issues declined about ½ a point. The exceptions to the trend

(*Continued on page 566*)

Railroads

Rails Wind Up the Year with Lower Earnings

December Gross and Net Both Fall Below the Previous Two Months' Level — Outlook for the Current Year Is Good

By **ARTHUR J. NEUMARK**

PRACTICALLY every road in the country reported lower gross earnings in the last month of 1921 than in the previous month, but there was wide difference in net operating results compared with November. Roads operating in the same territory made vastly different showings. In the northwestern group, Chicago & North Western reported a large increase in the operating deficit, compared with the previous month, on about $300,000 lower gross revenues, whereas Northern Pacific on $1,400,000 smaller gross business reported an increase in net operating income of $600,000.

In the southwestern group Missouri Pacific reported a decline of $1,600,000 in gross earnings and an operating deficit of $88,194, compared with net operating income of $1,155,000 in November. On the other hand, Rock Island, which parallels the former road throughout a great part of the southwest, reported an increase in net operating income of about $500,000 on $1,000,000 less business.

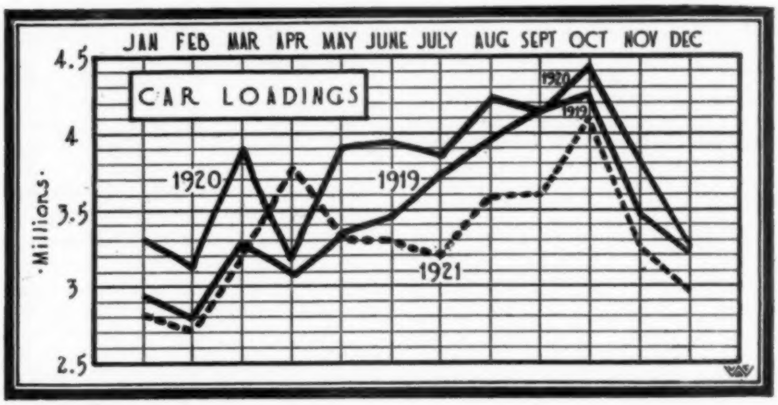
Cases such as the above were prevalent in all sections of the country and only serve to illustrate how little can be really gleaned from these monthly earning figures in the way of making any practical comparisons between competing roads or estimating future earning power. There was a day, before Government control, when one could study the earning statements of the different carriers and form some accurate idea as to what they meant, but such is not the case to-day. There is no uniformity of reporting earnings. Some roads in the last few months of 1921 charged off large sums for maintenance to make up for deferred maintenance in earlier months and vice-versa some roads which had not been doing much deferring of maintenance made much lighter charges against November and December earnings. On the other hand

(*Continued on page* 582)

CLASS I ROADS
(000 omitted)

	Net oper. income	Month's normal earnings to give a 6% return
January	D$958	$67,272
February	D7,378	56,509
March	30,695	81,089
April	29,249	80,487
May	37,080	92,736
June	52,845	99,078
July	69,485	93,267
August	90,000	105,000
September	87,174	113,000
October	105,453	114,400
November	66,198	109,328
*December	55,000	91,200

*Estimated.



ANALYSIS OF RAILROAD EARNINGS FOR THE 12 MONTHS OF 1921

Road	Net Oper. Def.	% Charges Earned	$ per Sh. on Pfd.	$ per Sh. on Com.
Atchison	......	......	......	$17.50
Atlantic Coast Line	......	......	......	4.00
Baltimore & Ohio	......	......	$4.00	......
Canadian Pacific	......	......	......	11.45
Chesapeake & Ohio	......	......	......	7.65
Chicago & E. Illinois	......	......	.70	......
Chicago Great Western	......	54	......	......
Chicago, Mil. & St. Paul	......	26	......	......
Chicago North Western	......	78	......	......
Chicago, R. I. & Pacific	......	......	......	3.20
Cleve., Cin., Chic. & St. Louis	......	......	......	7.85
Colorado & Southern	......	......	......	9.00
Delaware & Hudson	......	......	......	10.50
Delaware, Lack. & Western	......	......	......	(a) 12.75
Erie	......	21	......	......
Great Northern	......	......	......	3.10
Illinois Central	......	......	......	12.25
Kansas City So.	......	......	......	3.30
Lake Erie & Western	......	22	......	......
Lehigh Valley	......	......	......	.40
Louisville & Nashville	......	60	......	......
Minneapolis & St. Louis	......	6	......	......
Missouri Pacific	......	......	.50	......
New York Central	......	......	......	8.81
N. Y., Chicago & St. Louis	......	......	......	(b) 8.66
N. Y., New Haven & Hartford	8,496	......	......	......
N. Y., Ontario & Western	......	......	......	.35
Norfolk & Western	......	......	......	7.75
Northern Pacific	......	......	......	2.45
Pennsylvania	......	......	......	.70
Pere Marquette	......	......	......	3.50
St. Louis, San Francisco	......	......	......	5.05
St. Louis Southwestern	......	......	......	8.00
Seaboard Air Line	......	33	......	......
Southern Pacific	......	......	......	(c) 6.20
Southern Railway	......	......	.60	......
Texas & Pacific	......	(h) 2.8	......	......
Union Pacific	......	......	......	10.75
Wabash	......	......	(g) .30	......
Western Maryland	......	......	(f) 2.40	......
Western Pacific	......	58	......	......
Wheeling & Lake Erie	......	......	(e) 3.00	......

(a) $50 par value. (b) After 5% on the common stock, all classes of stock share equally. (c) Without oil income and after capital adjustments. (d) Including Denver & Rio Grande and after proposed adjustments. (e) On the 7% prior preference stock. (f) On the 4% 2nd preferred stock. (g) On the preferred A stock. (h) On the 5% Adjustment Income Mortgage 5s.

Canadian Pacific Railway Co.

The Railroad Whose Territory Comprises One of the World's Few Remaining Open Spaces

Canadian Pacific, Empire-Builder and Landlord, Has Unusual Development Possibilities — Its Shares as Long-Pull Investments

By **JOHN MORROW**

TIME was in the United States when we knew "Empire Builders" as men of great vision who flung steel rails into semi-wilderness, blazing the trail for settlers and preparing the way for volume production of food stuffs and raw materials necessary for the factories and mills of the older settled communities of the East.

Time was in this country when the development of transportation facilities was a romance; when independent initiative had free play and when the pioneer railroad men saw almost no limits to the expansion of business, as expressed in volume of traffic and in dollars of revenue.

The great transportation arteries within the United States are practically completed. Further expansion of business must be governed by intensive rather than extensive development.

This is not so, however, across our northern boundary, and if we go into Canada we can find in the Canadian Pacific a railroad system which, great as it is, must find a more complete expression of greatness in the development of the relatively raw territories which it serves in the western part of the Dominion.

Canadian Pacific is a road which is still in the "empire building" stage, although, of course, there is no inference here that the system is in swaddling clothes. It is full grown and one of the greatest and most powerful railroad systems in the world, but the agricultural and industrial development of western Canada is still, relatively, in its infancy and comparable, perhaps, to the condition that existed west of the Mississippi, in the United States, many years ago.

The present picture of Canadian Pacific is enough to fill the mind, and its future easily stirs the imagination. Canadian Pacific operates directly over 13,400 miles of railway, with main lines stretching from the Atlantic Coast of Canada to the Pacific. Through majority stock ownership it controls an additional 5,000 miles located mainly in the United States, and this mileage is necessary to the Canadian Pacific in that it gives entrance into the great shipping and distributing points of our Middle West, notably Chicago.

As of December 31, 1920, Canadian Pacific owned ocean and coastal steamers of a total gross tonnage of 301,219, and at that time there were six additional ships being built. These steamships serve Europe and Asiatic ports and go half around the world.

Investments and Landholdings

Canadian Pacific, the only road in the Dominion which is not under government control, is much more than a railroad and an operator of steamship lines—it is a landlord of huge estate, principally in the newer and western provinces of the Dominion. Its miscellaneous investments outside of steamship lines and landholdings, but including ownership of the shares of the Minneapolis, St. Paul & Saulte Ste. Marie Railway and the Duluth, South Shore & Atlantic, the two American lines, had a par value of $60,666,000 at the end of 1920, but were carried on the asset side of the general balance sheet at $35,056,000. Assets in lands and properties totalled $92,000,000. Total investments of Canadian Pacific, as shown on the latest available balance sheet, totalled $272,800,000. Total funded debt and share capitalization of the company is $645,000,000, so that investments are over 40 per cent of this total, and those investments are conservatively valued.

It must be borne in mind that this investment account does not include property investment and acquired securities which, at the end of 1920, totalled approximately $735,000,000. Also included in the investment total of $272,000,000 is the item of $60,000,000, representing the amount held in trust against the maturity of the 6 per cent note issue due 1924.

The financial statement of Canadian Pacific for the year ended December 31, 1920, showed an ownership of 5,611,500 acres of land, most of which is located in Alberta, British Columbia, and Saskatchewan. This acreage is carried at $10, $13 and $15 an acre, and lower, with the exception of irrigated lands in Alberta carried at $40 an acre. During 1920 the sales of land brought an average of $17 per acre, including irrigated land sold at $50 an acre, indicating that the sales price was above the price at which the company carried the lands in its account. It is interesting to note in this connection that the occupied lands in Canada were valued, in 1919, in the western provinces, at from $29 to $35 an acre and in British Columbia as high as $174 an acre.

Of course, direct income and profit from land sales cannot go on forever. The number of acres sold in 1920 was 468,390, which suggests that it will be at least ten years before the company has disposed of all its landholdings, and payments will continue for a long time after that because the land is sold to settlers on a deferred payment plan. For example, at the end of 1920 deferred payments on lands were carried on the balance sheet at $70,968,000. Of the total land owned about three-fifths is designated as agricultural lands, located in Alberta and Saskatchewan, and carried at $13 an acre at the end of 1920

Immigration a Factor

Prior to the war immigration into Canada was creeping toward the half million mark annually, but during the war years the total fell below 100,000, but is again rising. It is a fair guess that immigration is going to be a big factor during the coming few years and may be expected to have a considerable influence upon land values in the western provinces. There is no way of determining definitely what profit Canadian Pacific may derive from its lands, but it can be said that balance sheet values are conservative. Naturally, Canadian Pacific is not depending principally upon immigration, but it is an important factor in that it serves directly and indirectly to increase sources of new traffic.

Western Canada is rightfully looked upon as mainly an agricultural territory,

but it is interesting to note that the province of Alberta is producing as much coal as Nova Scotia, which, for years, was the Dominion's largest producer. Another interesting mineral development in western Canada is the search for oil. The possibilities are considered very promising, but the development work is still in what might be called a primary stage.

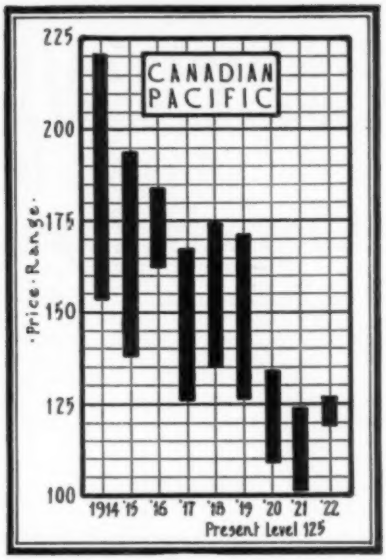
Special Income

While there is no disposition to stress too much the other than rail assets of Canadian Pacific or to infer that railway operations play a secondary part, the investments of the company in various lines of industry and its landholdings serve a double purpose, in that they are important revenue producers and possibly contain larger speculative conjectures than does the sale of rail transportation.

The special income account of Canadian Pacific, which is responsible for 3 per cent of the 10 per cent dividends on the common stock, does not contain revenue from land or interest from that account. The revenues included in special income account are receipts from investments in coal mining properties, telegraph, steamship lines, the American railway lines and other miscellaneous investments. One of the American railway lines owned by Canadian Pacific, the Duluth, South Shore & Atlantic, does not pay any dividends—in fact has a poor earnings record. This line, however, is considered essential by the Canadian Pacific as a feeder and connecting link. The Soo line pays dividends of 7 per cent on both the preferred and common stocks and is therefore an important income producer, as well as a traffic asset. Steamship earnings are another important source of revenue in the special income account.

The 6 per cent note issue of 1924 is secured upon a special investment fund composed of deferred payments on land and securities in which the proceeds of land sales have been invested, together with interest accruals. As of December 31, 1920, the amount held in trust for the 6 per cent note certificates was $60,000,000, or $8,000,000 in excess of the face amount of the issue. The amount of the trust fund would suggest that the 6 per cent note issue was adequately protected by the special investment fund, and it may be that interest from land sales will again be included in yearly income and appear in the special income statement. There is nothing official on this point, and it is naturally more or less conjecture.

As of December 31, 1920, there was a



surplus of $18,580,000 in the special income account, or an amount equal to two and a half years' dividends at the rate of 3 per cent. In other words, the condition of this special income account was strong enough to allow for some shrinkage, due to post war business unsettlement which was, of course, more emphasized in 1921 than in 1920.

Sources of Revenue and Rail Operations

We have seen that Canadian Pacific has what might be called three sources of revenue: (1) income from investments of many kinds and from steamship lines, (2) revenue from the sale of land, which is, as previously stated, not directly applicable to income account, and (3) earnings from the railroad lines. It has been pointed out that special income account takes care of 3 per cent of the annual dividend rate of 10 per cent—that revenue from land sales is placed in a special investment account to take care of the maturity of $52,000,000 6 per cent notes in 1924 and this investment account which appears to have satisfied requirements two years prior to the maturity of the notes.

The railway problem of the Canadian Pacific has been similar to the problems confronting the roads in the United States. There has been rate agitation in the Dominion and a more sustained experiment in government control than in the United States, and, of course, the usual agitation about wages. Freight rates were increased in September, 1920, by about 35 per cent, and passenger rates were increased 20 per cent. Since then reductions have been made, principally in passenger rates, as the rate increases were granted on something like a sliding scale. Since the recent election in Canada there has beeu a renewed clamor from western provinces for rate reductions. There is little or no doubt that the rate increases given Canadian Pacific during the past two or three years have been responsible for the ability of the road to protect its earnings position.

As previously stated, Canadian Pacific is the only road in Canada not under government control. At the time of the recent election it was stated that the party which came into power was not altogether in sympathy with the idea of government control of railway lines, and it may be that the question of whether Canadian Pacific will eventually be taken over by the Dominion Government will no longer be of importance or interest.

The dividend record of Canadian Pacific common is of forty years' duration, although there have been a few breaks. The current 10 per cent rate has been paid since 1912, and earnings on the stock since 1911 have ranged from almost 20 per cent to slightly less than 11 per cent. Beginning in 1918 earnings began to shrink, but increases in rates enabled net income to be kept to a point where there was no vital question of dividend reductions. To show 7 per cent upon the outstanding common stock the road must earn a net of $18,200,000 after fixed charges and the preferred dividend. Excluding special income the road earned fixed charges, preferred dividends and more than 7 per cent upon the common stock from railroad operations for the several years ending with 1917. The margin was smaller in the three succeeding years, but the required 7 per cent was covered. In 1920 total earnings on the common stock were 11.39 per cent, and special income was responsible for a little over 4 per cent of this total.

Last Year's Earnings

Canadian Pacific underwent, in 1921, about the same general experiences as befell the American railroads. Gross returns were down, as compared with the previous year, and the question before the management apparently was one of keeping expenses as low as consistent with efficient operations.

In the eleven months ended November 30, 1921, gross revenues showed a decrease of approximately 10 per cent, as compared with the same period of 1920. Operating income for the period was $30,931,000,

(*Continued on page* 576)

PROPERTY, INVESTMENTS AND CAPITALIZATION

Excluding Working Assets

Dec. 31, 1920.

Property Investment, Steamships, Acquired Securities	**$735,448,518**
Investments and Available Resources	**272,807,797**
(Including lands assets)	
Total	**$1,008,256,315**
Capitalization	
Total funded debt	**$304,904,880**
Preferred stock	**80,681,921**
Common stock	**260,000,000**
Total	**$645,586,801**

EARNINGS RECORD

	Gross	Net Income	Special Income	Earned on Common
1915	$98,865,210	$21,508,966	$10,969,331	$11.27
1916	129,481,886	36,871,435	9,940,955	16.76
1917	152,389,335	33,848,192	10,713,299	15.90
1918	157,537,698	23,630,898	8,128,752	10.97
1919	176,929,060	22,271,526	9,049,342	10.80
1920	216,641,349	21,877,635	10,966,448	11.39

Industrials

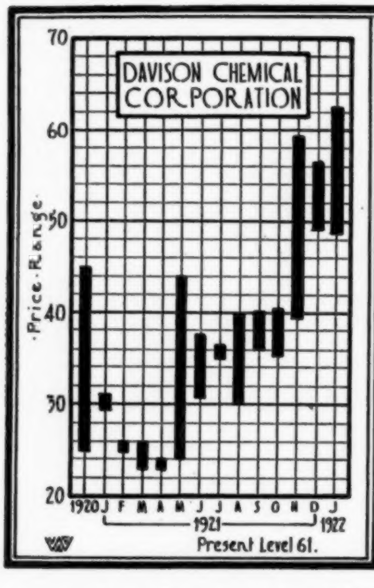
Davison Chemical Corporation

Shares Cleverly Manipulated

Present High Prices Not Justified on Fundamental Grounds—Public Ignorance as to Silica Gel

THE recent activity of the shares of this company has naturally stimulated inquiry into the underlying cause thereof, and a desire to know whether there is any development of a fundamental nature to justify the present market price.

It appears that reports have been circulated that this company controls some new process for the manufacture of gasoline, from which it is likely to derive very large profits. The company's product, silica gel, is mentioned as having great importance in connection with this process. The fact is that silica gel is used in the refining of gasoline, just as charcoal has been used for many years. It is apparent that if the cost of using silica gel should exceed the cost of charcoal, without compensating advantage, there would naturally be a reaction in favor of the latter substance.



Silica Gel

Silica gel is not lost in the refining process, but is regenerated and used over and over again. In view of this fact, it is probable that enough of the substance could be made within a period of about six months to satisfy the gasoline refining requirements of the United States for many years to come. If such a quantity of silica gel should be manufactured, then there would be no object in making any more of it, and the market demand therefore would disappear.

It appears that the Davison Chemical Corporation manufactures silica gel for sale and use under the royalty provision. Manifestly this royalty cannot be large, because such a development would naturally cause refiners to turn to charcoal, which would at once become a successful competitor.

Earning Power

Davison Chemical is capitalized as follows: 8% gold debentures due 1936, $2,000,000; Davison Sulphur & Phosphate Co. 1st convertable 6s, due 1927, $2,058,000, (guaranteed as to principal and interest by the Davison Chemical Co. and convertible into stock at any time until March 1, 1922, at $60 a share); capital stock, 200,000 shares of no par value outstanding. All the stock is deposited in a voting trust which terminates May 31, 1925.

Up to the present time this company has failed to show an earning power that would appear to justify any such price as the stock is now selling for in the market. For the year ended December 31, 1920, the balance available for dividends was $830,456, equal to $4.15 per share on the stock, and for 1919 only $1.90 was earned. As these two years were generally very fair ones for the chemical companies, it is rather obvious that from its regular business nothing very substantial can be expected in the way of earnings under present conditions of severer competion. Apparently it is strictly up to silica gel, if present prices of the stock are to be justified.

The company's plant is located at Curtis Bay, Maryland, and consists of a tract of 400 acres with 27 buildings. The plant has an annual capacity of 350,000 tons of sulphuric acid, 400,000 tons of acid phosphate, and 40,000 tons of other heavy chemicals. Through its subsidiary, the Davison Sulphate & Phosphate Co., 2,010 acres of phosphate rock property is owned in Polk county, Florida, and 3,282 acres in Cuba, which furnish pyrites, copper compounds and iron oxides.

Financial Position

At present prices of about 62 the market value of the common stock is $12,400,000, whereas it is carried on the balance sheet of the company at $7,216,000. It is true that the balance sheet shows a profit and loss surplus of $6,641,984, but this should be regarded more as a bookkeeping surplus than an actual surplus, as the property of the company is carried at very optimistic figures, to say the least, the Cuban property alone being valued at $8,270,000. The value of the ore blocked out in the Cuban mine, as of November 30, 1920, was stated to be $4,511,660.

The company is in good financial condition, which was brought about largely by the sale of $2,000,000 8% debentures in March, 1921. Working capital at the present time is about $2,000,000.

The business was originally established in 1832 by the Davison family, which continued to operate it and own it without outside interest until 1909. It was incorporated in 1902 with a capitalization of $500,000, common stock par $100. The capitalization was increased from time to time.

In May, 1920, its name was changed to The Davison Chemical Co., the present company, and the capitalization increased to 235,000 shares of no par value, of which 200,000 are outstanding.

Conclusion

So far as silica gel is concerned, the belief is gaining ground that advantage is being taken of the public's lack of technical knowledge with regard to this product, and that Davison Chemical shares are being manipulated, and will continue to be so handled as long as the pools operating therein can secure a public following.

With the possibility that pool operation may be able to force the stock up to a considerably higher level, and in the face of the fact that there is no development of a fundamental character to justify the present market price, manifestly it is impossible to give any trustworthy suggestion as to what provision should be taken with regard to this stock. At present, commitments in the shares must be considered extremely speculative, although it is apparent that the stock will offer an advantageous opportunity for a short sale wherever the support is withdrawn on the part of pools that now have it in hand.

DAVISON CHEMICAL

BALANCE SHEET AS OF DEC. 31, 1920.

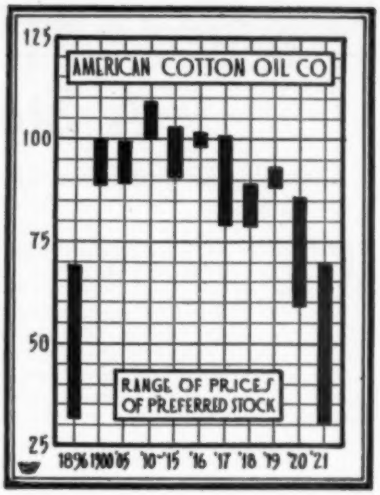
After giving effect to $2,000,000 Debentures issued March, 1921.

Assets—	
Real estate	$7,066,763
Cuban properties	8,270,672
Phosphate rock property, etc.	1,640,192
Cash	909,023
Accounts receivable, etc.	541,506
Inventories	1,014,161
Deferred charges	269,511
Total	$19,601,829
Liabilities—	
Capital stock	$7,216,214
Davison sulphur bonds	2,058,000
8% debentures	2,000,000
U. S. shipping notes	275,000
Accounts and notes payable	526,758
Accrued interest, etc.	79,992
Deferred credit	3,962
Reserves	799,919
Surplus	6,641,984
Total	$19,601,829

American Cotton Oil Company

Cotton Oil Ends Year in Good Shape

Report Just Filed Shows Company's Position Strengthened—Preferred Shares' Outlook Improved



THE publication of the report of the American Cotton Oil Co. for the year ended August 31, 1921, should prove extremely interesting to the preferred stockholders. The income account, it is true, shows a loss from operations and a surplus account reduced by approximately $3,000,000, but interesting factors of another sort are revealed after scrutinizing the balance sheet.

By glancing at the figure showing total assets for the year 1921, as compared with 1920, we find a reduction in the total amount of assets in excess of $9,000,000. The greater portion of this reduction is due to the revaluation of inventory or marketable products to actual cost or market value, whichever was lower, and also to the collection of bills and accounts due the company. President Lyman N. Hine, commenting on inventories, in the report says, "Since the close of the fiscal year substantially all of this inventory has been disposed of, and at prices equal to or above the value given in the balance sheet."

Taking into consideration the company's liabilities, there is no change in the amount of either preferred or common stocks outstanding; the debenture bonds remain outstanding to the amount of $5,000,000; but the amount of five-year notes outstanding has been reduced to the extent of $1,000,000, that amount having been retired and cancelled, thus effecting a saving of $60,000 a year in interest charges.

However, the most surprising factor is the reduction in bank loans. At the close of the previous year, August 31, 1920, the bank loans or notes payable totaled $5,800,000. These were all paid off and the company finished its 1921 fiscal year with no indebtedness to banks.

This remarkable reduction in bank loans and five-year notes was accomplished without incurring any mortgage indebtedness upon the property or through the issuance of any additional securities.

The saving effected by the retirement of these notes cannot definitely be determined at this writing. **However, if this money cost the company only 6%, the saving must amount to approximately $350,000 in interest charges, which, together with the saving in interest requirements on the 5-year notes of $60,000, means a total saving in interest charges this year of about $400,000. This figure represents almost $4 per share on the preferred stock.**

American Cotton Oil's Business

The business of the American Cotton Oil Co., incorporated under the laws of New Jersey in October, 1889, as successor to the American Cotton Oil Trust, is the extraction of vegetable oils and manufacture of various by-products. The oils handled are those crushed from cottonseed, copra, peanuts and soya bean.

COMPARISON OF BALANCE SHEETS.*
Years Ended August 31.

ASSETS.	1919	1920	1921
Real estate, etc.	$16,330	$17,229	$17,823
Good will, patents, etc.	23,594	23,594	23,594
Cash	7,370	2,968	2,383
Receivables	6,713	6,657	4,391
Inventories	8,640	13,326	6,559
Def. charges	214	585	392
Total assets	$62,863	$64,372	$55,144
LIABILITIES.			
Preferred stock	$10,198	$10,198	$10,198
Common stock	20,237	20,237	20,237
5% debenture bonds	5,000	5,000	5,000
5 year 6% notes	....	10,000	9,000
2 year notes	5,000	....	....
1 year notes	5,000	....	....
Notes payable	....	5,800	....
Accounts payable	737	777	753
Reserve for depreciation	2,562	2,046	2,912
Interest accrued	383	383	353
Preferred dividend payable December	305	305	....
Common dividend payable September	202	....	....
Surplus	13,235	9,624	6,689
Total liabilities	$62,863	$64,372	$55,144

*000 omitted.

The principal products of this industry are vegetable oils, cotton-seed cake, etc., as well as substitutes for lard and butter, refined edible oils, "Gold Dust" washing powder, "Copco," "Fairy," tar, glycerine, and other soaps.

In connection with the manufacture of these products the company owns numerous refineries, crude oil mills, soap factories, lard plants, gins, fertilizer works and seed houses situated in various parts of the country, the more important being located at the following strategic points:

Cincinnati, Ohio	**New York, N. Y.**
Mobile, Alabama	**Montreal, Que.**
St. Louis, Mo.	**Little Rock, Ark.**
Chicago, Ill.	**Jackson, Miss.**
Columbia, S. C.	**Rotterdam, Holland**
Atlanta, Ga.	**Raleigh, N. C.**
New Orleans, La.	**Providence, R. I.**
Memphis, Tenn.	

The plants and properties have in all respects been maintained in efficient operating condition. The policy pursued by the company of making ample depreciation allowances has been continued and the depreciation reserve at the close of the fiscal year totaled $2,912,593, having been increased by more than $866,000 during the year.

The Company's Ramifications

In September 1920, the Union Seed & Fertilizer Co., which operated the crushing mills and gins and was controlled by the American Cotton Oil Co. through ownership of a majority of its capital stock, was consolidated with the parent company. The entire capital stock, with the exception of the "directors' qualifying shares" of the N. K. Fairbank Co., Chicago, which is engaged exclusively in the manufacture and distribution of cottolene, lard, compound and other edible oils as well as various soaps, washing powders and other articles of household consumption, and the Holland-American Cotton Oil Company, Rotterdam, are owned by the American Cotton Oil Co.

The company's capitalization is as follows (in thousands):

	Authorized	Issued
20 Yr. Deb. 5s	$15,000	$5,000
5 Yr. 6% Notes	10,000	9,000
6% Non-Cum. Pref.	14,562	10,198
Common	20,237	20,237

The properties of the company continue free from mortgage or other lien, the debenture 5s and the five-year 6% notes being a direct obligation but not secured by a mortgage on the property. The holders of these securities are, however, protected from having the property mortgaged, or a prior lien security issued, by a clause in the indenture providing that no mortgage lien shall be created or placed on the property without consent of 80% of the outstanding bonds and, in the case of the notes, without providing for the security by such mortgage of all the notes then

(*Continued on page* 570)

A Story of Wrecked Hopes

Columbia Graphophone's Present Position Far Different from That of 1920—Situation Not Encouraging to Shareholders

THE story of the Columbia Graphophone Company is the story of wrecked hopes.

What promised to be a magnificent success in the years prior to 1921 twisted suddenly into a dismal failure in that year.

Where the former management had looked for steadily increasing earnings, the new management fell heir to a substantial loss.

Any consolation to be derived from the company's present situation would probably lie in the fact that about the worst that could happen has happened.

What Happened

Chairman Whitten put the company's experience into a nutshell in a recent statement. Referring to the period 1920-21, he said:

"At the beginning of the period, the company had outstanding contracts for large amounts of cabinets and other materials necessary for an extensive manufacturing program, anticipating that 1921 business would be commensurate with 1920 business. However, 1921 sales were approximately $19,000,000 as against $47,000,000 in 1920."

In other words, Columbia Graphophone, after stocking up in readiness for a record year, saw its business decline 60% from that of the previous year.

The Company's Record

The Columbia Graphophone Co. of today is the successor to the old American Graphophone Co. That latter had been in business for 30 years at the time it was taken over. The reorganization was effected in 1917.

The attached graph on "Income Account" records the fortunes of the property for the 14 years to date. It is seen that the company underwent a pretty regular improvement during the six pre-war years, and that during the war period its success was phenomenal.

The crash came in the weeks following November, 1920. It was a cumulative crash, increasing in severity as it progressed. As has been said, the company was primed for the greatest business in its history; instead, it experienced what was probably its worst slump.

Retrenchment

Many companies were unprepared for the slump of 1920-21. Columbia was one of the many. It was forced to enlist banking aid. Bank and merchandise credits of something approaching $15,000,000 grew up. It was forced to revise inventories sharply downward—well over $7,000,000 on current assets were written off in the process. It was forced to discontinue dividends on both its preferred and common shares, although it had been able to pay $7 cash and 15% in stock on its common shares in 1919, and $1 in cash and 20% in stock on the same shares in 1920.

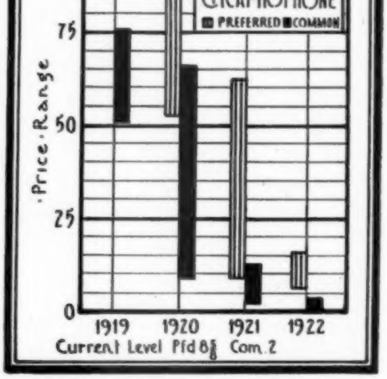
But the company's affairs did not "pick up" soon enough after the slump to rescue it from its embarrassing position. It was eventually forced to a point where it was forced to petition temporary relief from payments on its indebtedness.

Merchandise and bank creditors assented to the plea. It then became necessary to secure the assent of holders of the 8% gold notes of the Columbia Graphophone Manufacturing Co. A noteholders' committee was formed for the purpose, which committee is active at this writing, holders having been given until February 15, next, for deposit.

Current Business

The company's financial position is outlined in the above. Its industrial position is of next importance.

At the present time, sales, although believed to be running along comparatively evenly, are not claimed to be "good." The sales sheet for the months since that industrial slump would seem to indicate that the company's product must still be classed as a "luxury," and that any great volume



of business can only be anticipated in periods of very general prosperity. Although the position of the purchasing public has undoubtedly improved somewhat recently, it is not claimed that prosperity has returned, or that large-scale buying of non-essentials is likely to develop in the near future.

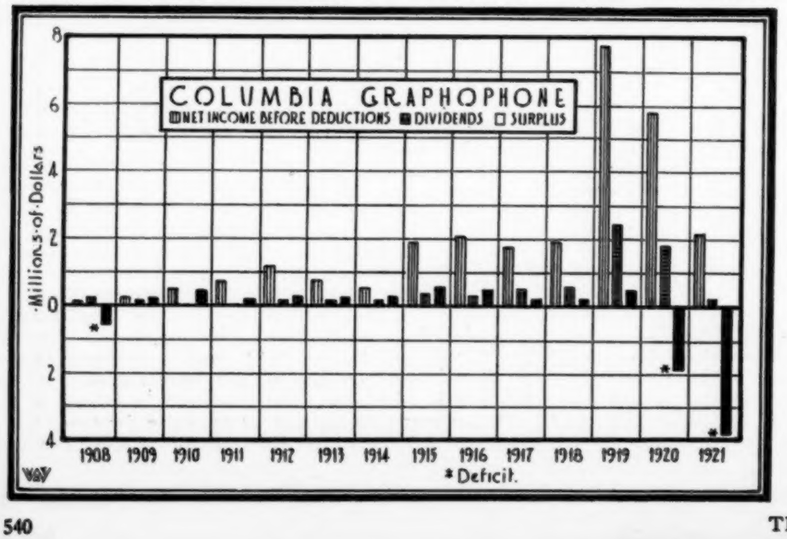
Outlook for the Securities

Since their listing on the New York Stock Exchange in 1919, Columbia Graphophone shares have had sensational careers. The preferred, after selling as high as 95½, careened down to as low as 6⅜, this year. The common has dropped from above 75 to as low as $1.25 per share.

Assuming that the company's noteholders, making the best of the situation, agree to co-operate with the Columbia management, it is expected that a financial readjustment will be effected. There is not much value to be derived from attempts at forecasting the form this readjustment will take; but in view of the large prior obligations facing the company, no very optimistic attitude can be taken as to the future outlook for the shares.

On the other hand, both the common and preferred are selling, at this writing, at close to their record lows. Holders, therefore, might do well to stay with them until the company's intentions are clear.

Since the above was written a receivership proceedings against Columbia Graphophone have been instituted by a group of stockholders. In view of the origin of the proceedings, it is doubtful that the application will be granted. The company, moreover, was declared solvent in a recent official statement by one of the officials of the company.



Tire Companies Emerge from Depression

Situation in Industry Improving—Many of the Leaders in Much Strengthened Position

By WILLIAM J. KEARY

SINCE the Summer of 1920 the tire industry has been confronted with difficulty after difficulty. Its first trial came when the buying fever of the public suddenly turned to apathy. There was no apparent reason for the change but it marked the first step in the return march to that much talked of goal called normalcy. The public stopped its reckless spending habits and gradually cut out unnecessary purchases. Automobile sales slackened considerably and tire sales naturally responded to the trend. Then prices began to fall and the real troubles of the tire companies began. For over a year, tire prices underwent spectacular declines, the history of the tire industry for that period being one price-cut after another, each successive cut unsettling the industry still further.

Swollen Inventories

At the beginning of readjustment the larger tire corporations were caught with large inventories both in raw material and finished goods, and at the time were striving valiantly to add further to their store of the latter. Not only had they abnormal stocks on hand, but confident of a continuance of the boom demand, had committed themselves for future purchases of crude rubber and cotton in huge quantities at the peak prices then prevailing. Therefore, they were doubly hard hit by the drastic price declines. Not only was the value of their enormous stocks of raw material and finished products continually falling, but they had bound themselves to the purchase of materials at double or treble their value at a time when economical buying was never so vitally necessary.

"Working off" these inventories in a falling market has played havoc with the rubber companies. Considering their difficulties, however, they have come through in surprising fashion. **Today, most of the larger concerns are in a comparatively good financial condition and are showing recuperative powers with business slowly reviving.** Some of the companies, such as Kelly-Springfield, Fisk Rubber, Ajax Rubber and U. S. Rubber, sold bonds to reinforce their working capital position, but otherwise there was no drastic disturbance to their finances. Goodyear was the only one of the larger companies to undergo reorganization and to submit to a readjustment of its capitalization, due chiefly to over-reaching itself and tying itself up on contracts for raw material at excessive prices. The injection of new capital and the realignment of its securities has put the company on a sound basis, and it may now be safely stated that at the present time all of the larger tire organizations are in a comparatively sound financial position, although many of them show depleted surpluses. Considering everything, this condition shows that the tire industry has a good deal of inherent strength.

Prices Below Pre-War Levels

While the future of the industry as a whole is secure the position of any one unit in it depends, as in most other industries, on the circumstances and situation of that particular unit. The industry has to face the fact that tire prices are below pre-war levels, and that while this condition prevails it will be a difficult feat to show a profit since production cost has not been reduced proportionately. Crude rubber and fabric prices, it is true, have fallen a long way from their peak, but they have rebounded from their recent low and show a tendency to stiffen. Wages have been reduced but they are yet above the pre-war level, and overhead and distribution expenses are well above the standard of a few years ago. Therefore, only low cost producers—those who by effecting economies and applying higher efficiency methods cut production cost to the bone—can hope for any degree of success under present conditions. Competition will be severe in the coming period, and the problem of every tire company which wants to meet this competition is to determine how to get minimum costs. Many tire organizations are now endeavoring to eliminate all non-essential selling and distribution costs, in addition to pruning expenses from the manufacturing end. Those companies who have completely worked off their high priced inventories and are equipped for large scale production are naturally in the best position for their overhead will be relatively lower.

Earning Capacity

To attempt to predict the ratio of profit the tire companies might be expected to earn in the next year or two would be both unwise and futile. Within that time the tire industry will have to strike a proper balance between production cost and sales price, and in reaching this stage there is likely to be a further curtailment in expense of production and an advance in tire prices. Until this definite relation has been reached the experience of the past is of no great value in computing the earning capacity of the future, only to show that corporations which have demonstrated their power to make profits in the past are likely to regain those powers on the return of normal conditions.

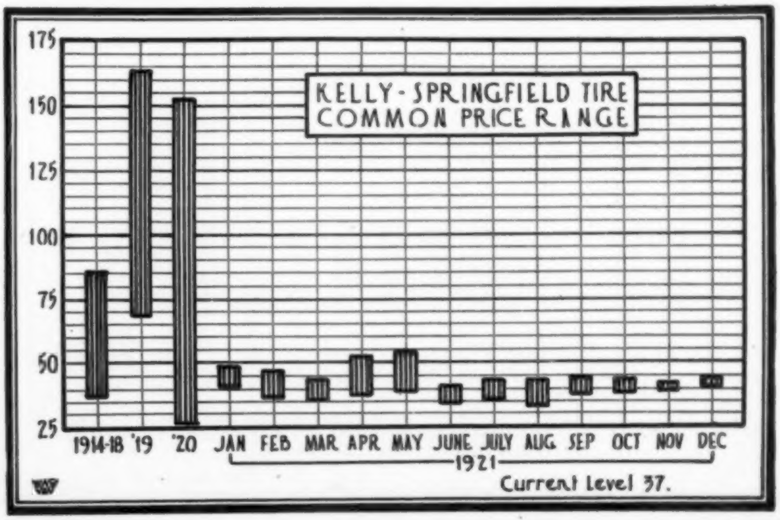
Some of the small mushroom companies that sprang up in the boom period are likely to go out in the present and coming era of strenuous competition, but this will work no unsettlement on the trade, since ten of the large companies supply about 75% of the trade and between 125 and 150 of the smaller companies share the remaining 25%. Many of the smaller companies, however, have low overhead costs which will enable them to compete successfully for a share of the trade.

For the year 1922 therefore the outlook is for a brisk demand for tires with a cessation of price cutting, and a stabilization of slight upturn in prices. In the writer's opinion the deficits of the past few years ought to give way in most cases to a margin of profit, which, however, is likely to be slight. Some plants are running at nearly maximum production so that, as has been pointed out, profits are more a matter of a favorable relation between cost and selling price than consumptive demand.

Kelly-Springfield Tire

Operating at Top Speed—New Plant Practically Completed

KELLY-Springfield Tire Company, one of the strongest organizations, in the industry, is operating at nearly top speed. Its new plant at Cumberland, Md., is now practically completed and turning out finished tires to the trade. It is expected that this plant will contribute materially to the future prosperity of the company, as it is



well situated geographically, constructed at low cost along the most modern lines; and officials claim for it that tires can be turned out there more economically than anywhere else in the country. When fully completed and running at full capacity the plant has an estimated daily capacity of 10,000 tires. Supplemented by the other plant at Akron, Ohio, it will give the company a much stronger position in the industry. Eventually all the manufacturing activities of the company will be concentrated at this point according to present plans.

No Heavy Commitments

This company has had its difficulties like the other tire companies though not in the same degree. It suffered from inventory depreciation both in its finished products and raw materials but has now worked off its high-priced stocks and has no heavy commitments so that it is in a position to produce lower cost goods. A new truck tire which the company placed on the market met with a good deal of success, and in general the company has a good all round demand for its products. Some 4,500 tires are being turned out daily at present.

In May last the company sold $10,000,000 of 8% notes due in 1931 for the purpose of funding its floating indebtedness and providing additional capital. With the proceeds some $8,000,000 of indebtedness was cleared up with the banks which left the company in an easy position. At present it is reported to have $2,000,000 in cash and no loans at the banks.

As a result of the financing the company will have annual interest charges of $800,000, decreasing as the notes are redeemed, which will of course lessen the net for common stock appreciably. Together with the dividends on its preferred stocks the company has annual deductions of about $1,450,000 before paying anything on its Common stock. Compared with these charges the company had net income before taxes of $2,648,914 in 1917; of $4,365,227 in 1918; of $3,236,798 in 1919 and $1,959,294 in 1920, the latter figure, however, reflecting some $2,000,000 in interest charges and provision for inventory fluctuation.

It is expected that earnings for 1921 will be about $4,000,000 but the greater part of this will be absorbed by the initial expense of getting the new Cumberland plant in operation. If the company has earned $4,000,000 from operations in 1921 the outlook for the future with price cutting over the industry reviving, costs decreasing and the Cumberland plant in operation, looks quite roseate. Earnings of $4,000,000 alone would mean about 29% on the $8,832,071 common stock outstanding, or over $7 a share on the $25 par value shares. This basis of earnings would allow the company to resume its $4 per share or 16% cash dividend and its 3% stock dividend and still leave room for building up its surplus.

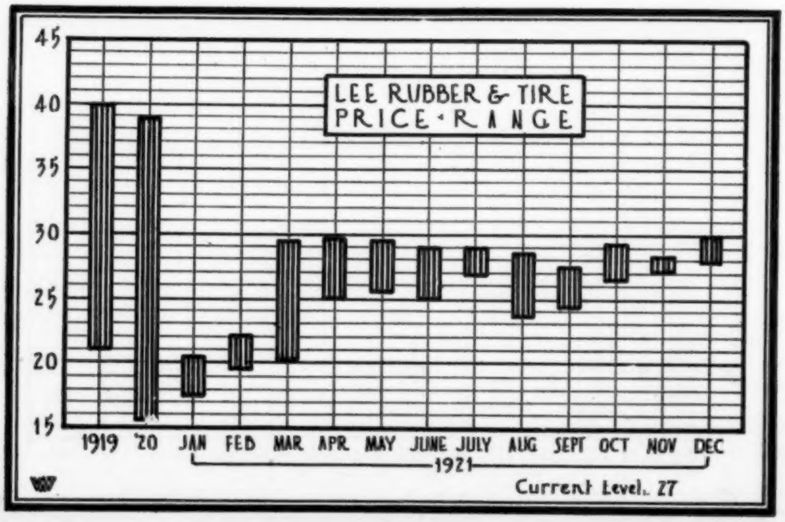
Conclusion

Kelly Springfield fluctuated between 54⅞ and 32½ in 1921 and is selling around 37 at present. Dividend resumption is unlikely before the end of 1922 but the stock ought to show strength with an improving situation. As a long pull possibility the common stock is recommended. Those who want a nice speculative investment will find the preferred stocks of the company worthy of attention as the dividend appears safe and appreciation should come with an increasing safety factor.

Lee Rubber & Tire

Only Prominent Tire Company to Maintain Dividends Throughout Depression

IN dealing with tire company stocks, Lee Rubber and Tire Company, though small compared with other tire organizations, deserves the place of honor since it is the only prominent tire company that maintained the dividend on its common stock all through the period of depression. It is entitled to distinction in that while the other tire companies are endeavoring to liquidate huge high cost inventories and heaping up big losses in the process, it was earning and paying a dividend and experiencing little of the difficulties that attended the other organizations. Its immunity is due to a prudent and farseeing management, which kept the company clear of entangling commitments for any considerable quantity of raw materials at peak prices and to the fact that it manufactures a special puncture proof tire which is proving very popular.



Simple Capitalization

The company is very simply capitalized. It has no funded debt and no preferred stock outstanding and its capitalization consists solely of an authorized issue of 150,000 shares of no par value common, all of which are issued and outstanding. Common shareholders are in the favorable position of having first claim on the earnings without any deduction for bond interest or preferred stock charges and this factor makes for good dividend payments.

Sales of the company have shown a consistent growth during the past few years, giving the impression that the increase in business was a steady, natural one rather than an abnormal one due to boom conditions.

Gross business amounted to $3,587,761 in 1916, to $4,609,924 in 1918, to $5,583,993 in 1919, and to $6,705,930 in 1920. Profits were less regular but held up well. In 1916 the company earned after taxes, $237,337, or $2.37 a share; in 1919 it earned $471,806, or $3.15 per share, and in 1920 earned $326,638, or $2.18 per share. During the first nine months of 1921 it earned $2.13 per share, or more than the full year's dividend requirements, with the probability of further strengthening its earning record. Sales for the first ten months of 1921 were in excess of those for the entire year of 1920.

Strong Financial Position

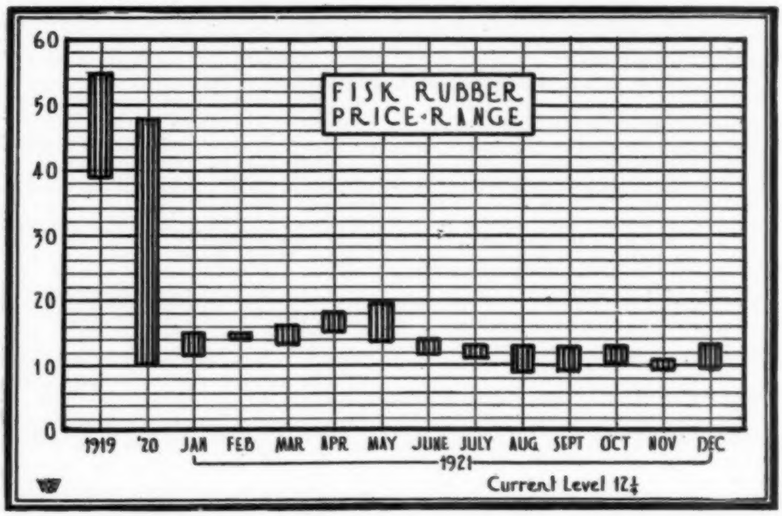
Lee Rubber and Tire common stock ranged between 38⅞ and 15⅝ in 1920 and between 30 and 17½ in 1921. Its present level is around 27, showing good recovery from the low of last year. The financial position of the company is reported to be excellent. At the end of October last it owed nothing to the banks, was discounting its bills and had some $900,000 cash, a very excellent record at present for a tire company. Paying $2 dividends annually it gives a return of about 7.4%, which is a good return for a stock with its possibilities. Considering the strong financial position of the company, its good sales record for 1921, its equally good earning record for 1921, the fact that it is not subject to large inventory losses, its fairly stable earning record in the past, and the fact that it is giving a comparatively good return on the outlay, the stock appears an attractive purchase.

In the writer's opinion it is as good a stock as any to hold for improvement in the tire industry, for while it has not the spectacular possibilities of the larger units, it is paying dividends, whereas dividend disbursements on the part of some of the large tire corporations are not an immediate possibility.

Fisk Rubber Company

Position Strengthened by Management's Conservatism—Outlook Improved

INDICATIVE of the general character of the improvement in the tire industry, Fisk Rubber Company is working on a schedule substantially higher than that in vogue in any period of 1921. At present the plants of the company are turning out approximately 12,000 tires daily compared



with 10,000 as recently as November. By working two shifts and installing a small amount of additional machinery the production can be brought up to 19,000 tires daily and, when demand necessitates it, to 24,000 tires per day.

During 1921 the company absorbed two affiliated organizations, the Federal Rubber Company with a plant near Milwaukee, Wis., and the Ninigret Company with plants at Pawtucket and Westerly, R. I. Coincident with the absorption of these concerns, the Fisk Rubber Company made a voluntary readjustment of its capitalization. It sold $10,000,000 of its first mortgage 8% bonds for the purpose of liquidating a portion of current indebtedness and vested the management of the company during the life of the bonds in the hands of representatives of the bankers. After adjustment of capitalization the company had outstanding in addition to the bonds, $18,951,500 of an authorized issue of $25,000,000 of 7% cumulative first preferred stock, $2,135,100 of an authorized issue of $10,000,000 of 7% cumulative second preferred stock, 700,618 shares of an authorized issue of 1,250,000 shares of no par value common stock, and $15,000 of Management Stock. In changing its capitalization the company charged profit and loss with some drastic write offs. Goodwill was reduced from $8,000,000 to $1; inventories were depreciated $5,884,315; $2,506,140 was reserved for loss on rubber and fabric commitments and in all there were over $19,000,000 of adjustments charged against profit and loss. Obviously the company was determined to make one sweeping write off of actual or impending losses and start out with a clean slate. Its conservatism in this respect is to be commended and will inspire confidence in the future.

Before paying anything on its common stock in future, Fisk will have to provide $800,000 for fixed interest charges (regardless of interest on floating indebtedness) and $1,475,000 for preferred dividends making total charges of about $2,275,000. In offering the bonds the statement was made that the estimated earnings for the year ended June 30, 1922, would exceed $7,500,000. This would compare with $5,034,950 for 1920 and $4,956,685 for 1919. Assuming an earning power of $7,500,000 yearly, after deducting charges, the balance remaining would be equivalent to about $7.40 per share on the outstanding common stock. Whether the actual earnings will approach the anticipated earnings is of course at this stage a matter of conjecture.

Fisk Common ranged between 19⅜ and 8¾ in 1921 and is now selling around 12¼. If the company can earn $7.40 per share as expected it could afford to pay a $3 annual dividend, and on this basis should sell above 30. The possibility of it doing so, however, hinges on the everlasting "If," so the writer won't prophecy that it is going to that level. At any rate it will be at least a year and probably longer before the common can be conservatively put on a dividend paying status even with earnings approaching the anticipated level, so that it is essentially a long pull chance.

It might be remembered, too, that the company has not entirely liquidated its floating indebtedness, and after applying the proceeds of the bonds had still $9,000,000 owing to banks under agreements expiring September 1, 1924. In all probability the repayment of this debt will have some influence on the dividend policy during the next few years.

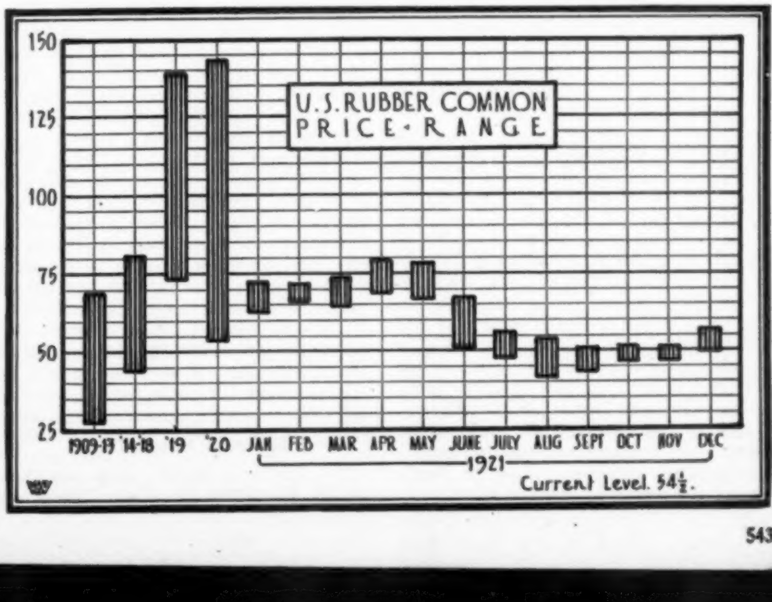
U. S. Rubber

Has Diversified Production—Earnings Should Improve This Year

UNITED STATES RUBBER is perhaps, the best rounded of the rubber corporations. It is not predominantly a tire company, but has a good diversification of products consisting, in addition to tires, of rubber boots and shoes, mechanical rubber goods and other rubber articles. Accordingly the company does not feel seasonal dullness so keenly because if a severe and slushy winter lessens the demands for tires it enhances the demand for rubber footwear. This puts the company in a relatively stronger position than if it were entirely dependent on one class of rubber product for its sustenance.

Like the other companies, U. S. Rubber did not escape from losses through inventory depreciation. At the end of 1920 it wrote off $11,020,605 representing shrinkage in values, rising in large part from depreciation of cotton fabrics ordered in advance. No large losses were taken on crude rubber as the company had no outstanding commitments in this product, and was enabled to take advantage of a continually lowering market to buy its raw rubber requirements. In this it fared bet-

(*Continued on page* 574)



Stocks Which Appear Insecure

Companies Which Have a Very Long Pull Ahead Before They Are Again on An Earning Basis

Atlantic Fruit Company

ON account of the very large cash outlay made last year in the development of the sugar properties in Cuba, the company's finances became involved to such an extent that interest on the $10,000,000 7% debentures was omitted at the time when payment was last due—December 1, 1920. Subsequent to this action a protective committee of bondholders was formed for the purpose of investigating the actual financial condition of the company and making plans for reorganization. While it is not thought likely that the bondholders will be asked to contribute new capital in the impending reorganization, it is possible that the common shareholders will be asked to pay an assessment.

Under the circumstances, with so many better opportunities for investment and speculation abounding in the stock market, this issue appears exceedingly inattractive. The company has large sugar properties and is heavily involved in the shipping business. The outlook for both these industries is obscure and it is hardly likely that this company, which is in default, will make a better showing than the industries in which it operates. Under the circumstances the stock is not recommended either for investment or speculation.

International Nickel

The very valuable properties of this company are acknowledged and its past and possibly its future earning power may also be conceded. However, so far as its future earning power is concerned, it is only fair to state that it does not appear that the company will be able to make a good showing on this stock for several years to come. The outstanding fact about the company is that there is a two years' supply of nickel on hand, and at the present rate of consumption it will probably take at least over a year before the company will be required to greatly enlarge its operations. Under the circumstances, earning power for the common stock is not to be anticipated for at least another year.

During the first half of 1921, there was a deficit of about $600,000, and it is hardly likely that better results were shown for the second half of the year. Conditions at the present time are not greatly different from those which have existed for nearly a year in the affairs of this company. While, after several years, the company will undoubtedly revert to something like a fair earning power, it is seriously a question whether prospective investors had not better divert their funds to other issues which have more immediate attractions.

Among such issues are the stocks of the better class copper companies which according to indications have evidently turned the corner of depression.

U. S. Food Products

This company, among other things, is struggling with a bank loan of nearly $5,000,000 which, judging by the receivership, the banking interests connected with the company refused to extend. U. S. Food Products has had a very hard time of it since changing the nature of its business from a distilling concern to one specializing in food products. Such a change is always attended by great difficulties but when it is accompanied by falling markets, such as occurred during the past two years of depression, the results may well be imagined. The financial position of the company became seriously weakened and its credit impaired.

From present indications, it appears that some sort of a drastic reorganization is in prospect. Certainly the recent receivership reflects such a prospect. Even at the low price now prevailing, the stock cannot be considered a satisfactory medium for speculation or investment.

EDITOR'S NOTE: The following notes reflect the frank, personal opinions of members of the Staff regarding the fundamental conditions underlying the various companies mentioned herein. The market status of these securities has been practically ignored, complete emphasis being laid on the basic situation in each case, referring specifically to the financial and trade conditions of the respective companies. The fact that a security is mentioned in this article does not necessarily reflect on the integrity of the company behind, the purpose being simply to review certain phases in the affairs of the companies mentioned, which in the opinion of the writers would not warrant investment in these issues at the present time.

Replogle Steel Company

This company has a very fine and modern plant at Wharton, N. J., and in addition very large deposits of iron ore. From the viewpoint of its physical properties, therefore, there is something to be said for the stock. However, from an earnings viewpoint the stock appears in a dubious position. With the pig iron market in its present shape and prospects for a comparatively poor market for a considerable period, it is doubtful that Replogle Steel will be in a position to make a fair showing for the stock for a considerable period. Consequently dividends are out of the question for possibly several years or more.

Replogle, in effect, is a high-class prospect and while it deserves consideration from this viewpoint, investors who are desirous of a more immediate return on their invested funds would do better to turn their attention to other issues which are in a better position. The stock, consequently, while it may have attractions for investors in a position to waive considerations of dividends, is not suited to the needs of the ordinary investor and for that reason is not recommended.

Republic Motor Truck

As described several times previously in the MAGAZINE OF WALL STREET, the financial affairs of the Republic Motor Truck Company became so seriously involved toward the end of last year that severe measures had to be taken to permit the company to continue its existence under the old form. For this purpose, under a plan issued last October, there was authorized the extension of the $2,500,000 1st mortgage and collateral trust 7% notes which originally were supposed to fall due May 1, 1922, to Nov. 1, 1926, under a voting trust agreement whereby noteholders were asked to deposit their notes. The preferred and common stock was also called for deposit. At the same time the rate of interest on the 7% notes was increased to 8% as an inducement to noteholders to consent to the extension of the maturities of their securities.

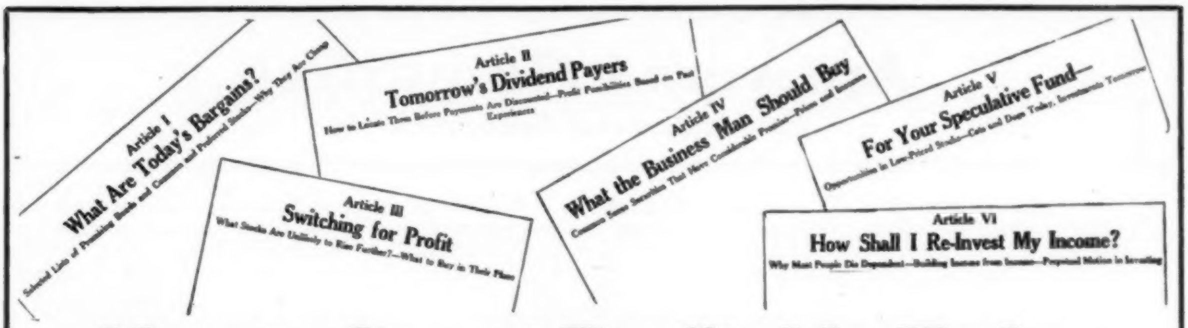
While the motor truck industry has recently shown some signs of recovery, it is doubtful that business can improve to an extent to permit the successful operation of this company. At least, the position of the company financially is sufficiently weak to render investment in the junior shares of this company inadvisable at the present time. Frankly, it is the opinion of the writer that before making a commitment in this stock the investor had better wait developments, even paying a few points more if necessary, provided the company showed genuine ability to recover from its present difficulties.

Saxon Motors

In the present period of great competition, it is a question whether the smaller companies like Saxon can continue to operate profitably. Last year this company was compelled to reduce the price of its cars on three successive occasions and at the present time it is coming into competition with the most successful manufacturers of cars on record, such as Studebaker, Chandler, Hupp, Dodge, and many others of the medium-priced cars. Saxon was able to earn nothing last year and it is hardly likely that it will better this result in the coming year.

The company is understood to be in a fairly comfortable financial position but this is only comparatively speaking. Certainly another year of keen depression and competition would seriously embarrass this company's financial position.

Recently a block of the preferred stock was offered at $4.50 a share, illustrating the low state of esteem into which the company's shares have fallen. Considering the general outlook for the industry, the common shares cannot be regarded as other than exceedingly speculative, although it is possible that a general upturn in motor shares might result in sympathetic response on the part of Saxon. However, this is not a sound basis for investment and accordingly the stock cannot be recommended from any angle except possibly as a very long-distance speculation.



How to Invest Profitably Today

A Series of Six Articles

ARTICLE V

For Your Speculative Fund—

Opportunities in Low-Priced Stocks — "Cats and Dogs" Today, Investments Tomorrow

SPECULATION has a very prominent place in this world's activities, otherwise people would not speculate. It is not merely that speculation affords a short-cut to riches, although there are many with their eyes on past losses who would argue to the contrary, but, what is of greater importance, it is the only known road toward the employment of surplus funds, which, without this means of employment, would lie useless and unneeded.

The term "speculation" is very broad. Governments speculate when they use vast funds for their military establishments; states speculate when they spend millions for irrigation and drainage purposes. Large corporations speculate when they increase the capacity of their plants and when they buy material. Farmers speculate when they plant more than they have been accustomed to plant. Business men speculate when they employ added help. Investors speculate when they buy securities.

It is all of one sort. To speculate, in its broadest sense, is merely to plan for the future. In the security markets there are many ways of planning for the future. Some people buy stocks and bonds for the income which they will bring. Other people buy the same securities partly for the income which they will bring and partly in the hope of receiving higher prices for these securities later on. Other more temperamental types buy stocks only incidentally for the income which they may receive, but mainly in the hope of a quick turnover in the stock market. There is no fundamental difference. All these methods are inherently speculative, although the original purpose of speculation may be concealed even to the investor himself.

The More Immediate Meaning

Speculation in the stock market, however, may be narrowed down to a very particular sort and that is the employment of funds for the sake of gain. That is the inherent purpose of speculation.

Inasmuch as the stock market includes many hundreds of different securities, It follows that there are hundreds of different opportunities for speculation. All are not identically suited, however, to the needs of average investors. Some stocks are decidedly too erratic and fluctuate in the most uncertain manner. Others present opportunities which are not likely to materialize for a very long period, which makes this sort of speculation undesirable to investors who would like their stock market commitments to turn out profitably within a reasonable period. Other stocks are so high-priced that they are suitable only to rich investors. Still other stocks do not pay dividends, which makes this an undesirable limitation to investors who require some sort of a return on their investments. Other stocks again belong in the nearly-receivership class, if they are not there already, and are unsuited to the needs of investors who require at least a reasonable amount of protection.

For a Speculative Fund of $5,000

DIVIDEND-PAYING STOCKS:	No. of Shares	Price	Am't invested	Annual div'd	Annual income	Approx. yield
Beth-Steel B.	10	$60	$600	$5.00	$50	8.3%
Chandler	10	60	600	6.00	60	10.0
Hupp Motor	10	12	120	1.00	10	8.3
Int. Cement	20	29	580	2.50	50	8.6
Lee Tire	20	28	560	2.00	40	7.0
Owens Bottle	20	27	540	2.00	40	7.4
Total			$3,000		$250	
					Avg. yield 8.3%	
NON-DIVIDEND PAYING STOCKS:						
Advance Rumely	25	11	$275	..	..	..
Am. Writ. Paper pfd.	20	27	540	..	..	..
Am. Ship & Commerce	25	9	225	..	..	..
Callahan Lead & Zinc	50	5	250	..	..	..
Tenn. Cop. & Chemical	25	10	250	..	..	..
Third Ave.	20	23	460	..	..	..
			$2,000			
Total			$5,000		Total avg. yield 5.0%	

Thus the problems of speculation are manifold, and their solution depends on the individual merits of the case. What may be a good speculation for one type of investor may not be a good speculation for another type. It all depends on the individual circumstances.

Basic Principles

However, a few basic principles can be laid down.

(1) No one should speculate who cannot afford to do so.

(2) Only a limited part of the surplus funds available should be used for speculative purposes.

(3) Securities bought should be diversified over different types.

If these three simple rules are followed, investors should eventually be able to make money in the stock market.

It will be noticed that the three rules laid down deal with factors of safety, on the principle that safety is the best policy.

Dealing with the three principles categorically, it is obvious that (1) to speculate where funds should be used for strictly business purposes or to build up a reserve in case of accident is foolhardy; (2) no more than a stated part of one's surplus funds should be used to speculate with, on the ground that no one should risk the whole of one's capital in speculative enterprises, and (3) diversification is the best policy so that if one stock goes wrong, the others may still be left to give a profit, and so exert a protective influence. In other words, in speculation as in anything else, one should be discreet and take nothing for granted.

Diversification

There is the greatest fascination in the getting-up of a speculative list of stocks.

(*Continued on page* 575)

Answers to Inquiries
On Industrial Securities

PULLMAN COMPANY
Merger with Haskell & Barker

I have held Pullman Co. stock for several years. It was originally purchased at considerably higher prices than it is now selling for. In 1921 it had a big decline and I have been rather in doubt as to the safety of the present dividend rate. Would you advise disposing of this stock at present prices?—L. T. N., Flint, Mich.

Pullman Co. has a remarkable record as a dividend payer, having paid dividends without a break since 1874. In only one year did the dividend fall below 8% and that was in 1899, when 6½% was paid. For a long period of years the earnings were able to cover the 8% dividend with a fair margin to spare and liberal charges have always been made for depreciation. For the year ended July 31, 1921, however, only $5.10 per share was earned, so that after paying dividends there was a deficit of $3,478,836. This company can well afford to dip into surplus to maintain its dividend, as it is in very strong financial condition, with a working capital of about $33,000,000. In January, 1922, the Haskell & Barker Car Co. was taken over by an exchange of stock on the basis of ¾ of a share of Pullman and $1.25 in cash for each share of the former. This merger makes Pullman an important factor in the equipment manufacturing field and can be regarded as a favorable development for the company.

In October, 1921, the Government settled the company's claims growing out of Federal control for $7,250,000. In view of this cash received there is little doubt but that the company will be able to maintain its present dividend rate of 8% for some time to come at least. The future of Pullman we should say can be regarded optimistically. During the past few years high operating costs have cut earnings, but these are now coming down. The big advance in Pullman rates, nearly all of which went to the railroads, tended to reduce business of the company. It is good opinion that these rates will be reduced in the near future and Pullman should then be able to show its usual profits from this end of its business. The report for the year ended July 31, 1922, is not expected to be very good, but believe you are justified in holding the stock because the long range outlook is favorable.

CLUETT, PEABODY & CO.
Inventory Losses

Do you look for dividends to be paid soon on Cluett, Peabody? Would like a little information about the company.—A. H. H. Rockland, Me.

While the income account of Cluett, Peabody & Co. for 1920 showed net earnings of equivalent to $7.58 a share on the common stock, this was before writing down inventories by $2,356,060 and the setting up of a reserve for commitments for raw materials of $637,758. If these write-offs had been charged against earnings the result would have been a deficit before dividends of $1,055,526, and a deficit after dividends of $3,069,596. As of December 31, 1920, the company's inventories totaled $15,883,633, and undoubtedly the company had to take further losses in this account in 1921. Operations were at a rather low ebb in 1921, plants for a considerable period only operating three days a week, as a result for the year 1921 a deficit of $585,540 was reported.

At the beginning of 1921 the company was borrowing $10,000,000 at the banks, but as of December 31, 1921, this had been cut down to $2,000,000. In the past the company has shown a fair earning power. In 1919 $25.52 was earned on the common; in 1918, $7.28; in 1917, $10.95; in 1916, $12.51; in 1915, $8.67, and in 1914, $5.17. While the company was able to show large profits in the boom years, in normal years its earnings were only moderate, and it would appear to us that the recent sharp advance of the stock to around 60, has discounted any improvement in the situation that has taken place, and would advise a switch into some good dividend payer that has good possibilities such as Westinghouse electric, selling around 51 and paying $4.

CRUCIBLE STEEL
Financial Position Weakened

I am contemplating the purchase of Crucible Steel on the ground that conditions should improve soon in the steel industry, and as Crucible is a market favorite it ought to have one of its old time advances. Up to date it has done very little in the bull market we have been having and I look for it to start soon. What do you think?—A. N. L., Chicago, Ill.

Crucible Steel for the year ended August 31, 1921, earned $7.59 a share on the common stock. While there are no figures available as to what the company has earned since the end of its fiscal year, earnings of the other independent steel companies are an accurate enough gauge as to how Crucible is making out. With such strong independents as Lackawanna and Republic showing large deficits, there is little question but that Crucible will fail to earn its common dividend for the year to end Aug. 31, 1922. The financial condition of Crucible is not particularly strong, and it would appear to be the conservative course for the management to pass the common dividend, especially as competition is still very severe in the steel industry and prices low. While the working capital of Cruicible is about $25,000,000, it had $25,000,000 tied up in inventories on Aug. 31, 1921, and as a result, notes payable were $3,000,000. It is likely that a considerable loss may have to be taken on these inventories in the current year. In view of these facts, it would appear decidedly likely that the dividend on the common stock will be reduced or omitted in the near future.

While we agree with you that conditions are likely to improve in the steel industry, this improvement, in our opinion, will be rather slow. Crucible Steel specializes a good deal in what is known as high speed steel, and German competition in this high grade steel is likely to be more severe than in other steel products. Of course, there are other factors to consider in regard to this stock. It is closely held and the group that controls the market could easily give it a substantially upward move should the short interest become unduly large. We would deem it advisable, however, for you to put your money into some security with more definite possibilities. A suggestion is Chicago Pneumatic Tool, paying $4, and selling at about the same price. The working capital of the latter alone is equal to more than the present market price of the stock.

F. W. WOOLWORTH & CO.
Unaffected by Hard Times

While my surplus funds are practically all invested in better grade bonds a few years ago I was persuaded to purchase some of the stock of the F. W. Woolworth Co. for investment. This has turned out to be a very profitable venture. I would appreciate your opinion of the company as I am a little uncertain as to whether I should take my profits at the present time or not. I am interested in the long pull investment point of view.—F. R. A., Wilmington, Del.

F. W. Woolworth Co. has shown a remarkably consistent earning power over a long period, and is one of those fortunate concerns that is very little affected by hard times. In the past eight years earnings have never been less in any year than 10% on the stock. In 1920 15.51% was earned, and in 1919, 18.97%. In 1920 sales totaled $140,918,000, the greatest in the company's history, but this record was exceeded in 1921 when sales reached $150,000,000. Earnings in 1921 are expected to show at least as well as 1920 earnings. The company is now operating 1,147 stores, having opened 36 new ones since January 1, 1921. At the present time the company is in excellent financial condition with cash on hand of about $3,000,000 and no bank loans.

In view of the steady progress that the company has made so far, indicating able management, and the fact that the company intends to continue its policy of opening additional stores every year, it would appear to us that even though the stock has had a considerable advance it still looks attractive as a long pull semi-speculative investment. Capitalization consists of $1,524,500 mortgages, $10,000,000 7% preferred stock and $65,000,000 common.

WELLS, FARGO EXPRESS
A Liquidating Proposition

I hold 200 shares of Wells Fargo Express for which I paid 90. Would you advise holding or switching all or part into some other security with good possibilities?—B. D. I., Chicago, Ill.

Wells Fargo Express should be regarded as a more or less of a liquidating proposition. It is estimated that the assets of the company if liquidated on a fairly good basis should show around $100 a share

(Continued on page 564)

Building Your Future Income

Courtesy National City Co.

Enough Is Wealth

The trouble with us Americans is that we aspire too high.

We don't call a man a "large landowner" unless he's got at least three thousand acres, free and clear. We never speak twice of a man's house unless it contains at least thirty-four rooms. It never occurs to us that a man may be rich, unless we know that he possesses at least five million dollars.

The war is largely to blame. It threw all our standards out of joint. It snatched us out of the eddies and ripples of business and finance, and plunged us into the whirlpools. It stopped us from thinking in terms of dozens and dollars; and it got us into the way of thinking in terms of millions and fortunes.

What we need is a national sedative. We need something to quiet our nerves. And we also need a mental sedative—something to tone down our thoughts.

It's time for us all—for us investors, particularly—to get together and REVISE OUR STANDARDS TO NORMAL LEVELS. It's time we realized that a man doesn't have to have half a million a month in order to live comfortably. It's time we re-learned that more solid happiness and comfort can be derived from a cottage than from a palace. It's high time we understood that stocks that pay $6 a year, year-in and year-out, are far more profitable, in the long run, than stocks that pay $20 in one fell swoop—and then go up in smoke.

Sooner or later we'll all *have* to realize these things. When we do, we'll all be a lot happier. But, in the meantime, a certain few of us will *make* ourselves realize them. And those few, having readjusted their own affairs sooner than the rest will have a nice head start on the long road marked "Stable Prosperity" that seems to lie ahead.

A Home-Owner Answers Some Questions

Testimony from a Member of The Magazine's Staff on the Subject of Financing a Home

THE home-building campaign of THE MAGAZINE OF WALL STREET is getting into its stride.

Letters, some critical, others highly commendatory, but all reflecting lively interest, are beginning to come in from readers; members of the Staff are volunteering suggestions and ideas.

It looks as though the belief that led up to the adoption of the department—i. e., that readers could find use for frank discussions of the home-building problem—was founded in a pretty thick bed of fact.

Facts vs. Theory

Both of the two last articles published in the campaign were more or less in the nature of theoretical discussions. That is to say, each article showed a house design; put an estimate upon its cost; and then went on to point out how such a home *might* be financed, were the builder to start work today.

THE QUESTIONS ASKED

1. What made you decide to build a house?
2. How did you finance it?
3. How long have you lived in it?
4. Does it give you any more comforts than an apartment would give?
5. Has it been more expensive than rent would have been?
6. Would you advise a young married man to build rather than pay rent?
7. If so, why?

It's a good idea to mix a little fact with your theories. It steadies your judgment and tempers your enthusiasms.

With this idea in mind, the department set to work for this issue to find somebody who *had built* a home, and who would be willing to give the full and complete facts as to cost, carrying charges and *results*.

It will surprise nobody who has conducted such a search elsewhere to learn that, after scouring the town, the department found the person best suited to the role to be the man sitting at the next desk.

This worthy gentleman whose initials, in case you want them, are "W. S. K."—was asked seven (7) questions. They are printed in the "box" at the top of this column. W. S. K.'s answers thereto are printed without furbishings, in what follows: Before reading each answer, the reader is asked to consult the corresponding question, above.

Answer No. 1

Tired of paying rent—of having the family upstairs give a birthday party when my youngster was ill—tired of the give-and-take that is an essential of apartment-life but not an essential of living.

Answer No. 2

Had about $1,000. Bought a 40-foot lot

The Home

on an unpaved street at the edge—but in the direction of the growth—of a small suburban town, in the commuting zone.

After drafting plans and determining cost, a building loan of $4,500 was obtained, through the contractor, from a capitalist who specialized in such. Application was made for a $2,500 loan from a Title & Trust Company, and when the house was ready for occupancy this was granted, the company taking a 1st mortgage. The $2,500 was paid to the holder of the building loan, reducing this obligation to $2,000, which was converted into a second mortgage, reducible at the rate of $25 a month until liquidated, with option of paying more, or all, at any time.

Total cost of house, $4,500; including lot, $5,500.

The adjoining 40-foot lot was bought out of the next 2-years' savings—$1200—giving an 80-foot frontage. But this lot has been retained free and clear and was not placed under the mortgage.

Answer No. 3

This was 5 years ago. Since then the street has been paved, and the town has grown a half-mile beyond, more than 300 houses having been built in the new territory.

Answer No. 4

I have eight rooms and bath, 2 porches, hot water heat, hot water supply connected to furnace, no kicking to janitors and landlords, electric light, laundry in cellar with electric washing machine, base plugs all over the house so that the vacuum cleaner can be used in every room, even in the attic and cellar. Sunlight all the time the sun shines, a big yard for the children to play in—and they're healthy and rosy-cheeked—flowers, grapes and vegetables from a 30x30 patch in the rear corner farthest from the house—WHAT'S THE USE OF ASKING SUCH A QUESTION?

Answer No. 5

No. Taxes average $150 a year. Street assessment was $210 for curb-to-curb bitulithic macadam, payable outright, or in 5 annual instalments. Water rate, $10 a year. No further assessments are possible for neighboring improvements, as law provides that only direct beneficiaries are assessed, indirect pro rata of improvement costs being assessed against town treasury.

Here's a statement of the approximate yearly cost: (averaged for 5 years, as the second mortgage interest charges have been reduced, there were no repairs the first two or three years, and the street assessment came the second year. Also the taxes have varied.)

Taxes	$150.00	
Interest on 1st mortgage......	150.00	
Interest on 2nd Mortgage......	84.00	
Insurance ($4,500 for 3 yrs., increased since to $6,000—rate 50c for 3 yrs.—total premiums $52.50	10.50	
Water rate	10.00	
		$404.50
Repairs:—		
New leaders, etc. (did work myself), materials	$20.00	
Painted and stained (did work Saturday afternoon), materials	45.00	
Back porch steps and odds and ends of repairs, not over....	50.00	
	$115.00	
Average per year......................		$23.00
Add: 5 years' interest on original investment of $1,000......	$300.00	
3-years' interest on $1,200 paid for second lot.................	216.00	
Interest on capital paid in to reduce 2nd mortgage.........	180.00	
	$696.00	
Average per year......................		$139.50
Street assessment paid outright	$210.00	
Average per year......................		42.00
Total		$609.00
Average per month in 5-yr. period....		$50.75
Add $25 per month paid in on 2d. mtge.:		
TOTAL AVERAGE OUTLAY PER MONTH		$75.75

Present Condition of Property:—	
1st mortgage..................	$2,500.00
2nd mortgage..................	800.00

The present value of the property is somewhere between $12,500 and $13,500, due partly to the increased cost of duplicating the house and partly to the increased value of the location. However, first and last, I have expended in actual "cash money" for property, repairs, taxes, assessments and interest something like

YOUR OWN QUESTIONS

Readers of THE MAGAZINE OF WALL STREET are cordially invited to make use of the Home Building Department.

Any information, help, suggestion or advice that the Department is asked for it will do its utmost to give.

The Department invites letters criticizing its articles or suggesting special topics for later articles.

$6,500, and the mortgages outstanding total $3,300. On the basis of a sale at $12,500, I would receive back every cent I have paid in, and would still be $2,700 to the good—that is, I would receive $9,200 above the mortgages.

Do you know any place where I could cash in $6,200 in rent receipts for $9,200 in real money?

Answer No. 6

Yep.

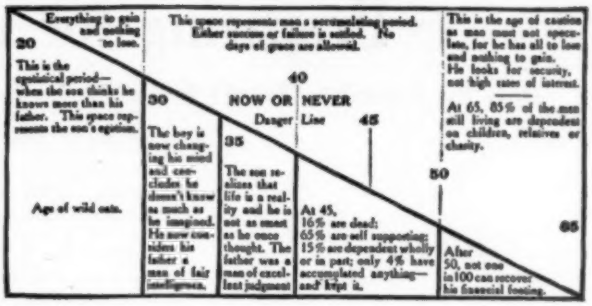
Answer No. 7

See answers to questions 1 to 6, inclusive.

Building Future Independence on $30 a Week!

How a Canadian Clerk Plans to Attain His Objective, Despite Limited Means

By **W. A. B.**



Copyrighted

The Element of Age in Business

THE several articles appearing lately in THE MAGAZINE OF WALL STREET on the subject, "How to Attain Financial Independence," seem to work on the theory that one should aim at not less than one hundred thousand or one hundred and fifty thousand dollars as the goal.

How any ordinary human being can achieve such a goal under average circumstances is more than I can imagine.

The writers seem to feel, too, that even ordinary individuals should not be expected to live comfortably on less than $6,000 a year—that is, $100,000 at 6%.

And I am again unable to see why such a tremendous income should be held necessary to latter year comforts.

Perhaps my trouble lies in the fact that I am a Canadian. I am incapable of thinking in such huge figures as you Americans!

Just an Ordinary Clerk

I am just an ordinary, poor clerk, thirty-three years old. Of course, my class is not unionized, and I, like the rest of them, have to be satisfied with what I get in the form of salary. At present the most I can squeeze out of my employers is $1,500 per annum.

Occasionally I manage to get some odd, outside jobs to do, which net me, sometimes, $300 a year extra.

Thus, I am able to make, in all, about $1,800 a year, out of hard, nerve-wracking work.

Considering everything, it seemed wise for me to revise sharply downward the American goal of financial independence. Instead of that fabulous $100,000, I set my goal at one-tenth as much, or $10,000. This, then, is the goal I have decided to reach before that "now or never danger-line age 40" that you show in your "Element of Age in Business" diagram.

Of course, if I should, by excellent good fortune reach this goal ahead of time, I could raise the figure a few notches.

The point is that, by putting the goal at what is, for me, a reasonable figure I lessen the likelihood of disappointment and increase the likelihood of ultimate success.

Something Already Done

I have already done something toward reaching my goal.

Harriman said, "Take $5,000 and ......" Well, up to the present, I have accumulated about $4,500 through savings, loans made on mortgages, and "specvestments." Savings have composed the greater part of this sum.

I also have a 20-year endowment insurance policy for $1,000, on which I have paid for 8 or 9 years.

I try to save out of my earnings about $500 during the year, and at present my investments and speculations bring me another $300 a year, which works out as shown in the accompanying table.

The tabulation does not take market fluctuations into account, but as I am pretty well margined I could perhaps afford to average, should the market decline. If the market does *not* decline, I intend to hold on until I get a real profit, that is, over par for Atchison, about 150 for Canadian Pacific and on Woolen—well, I haven't decided yet just what a real profit would be.

SECURITIES HELD ON MARGIN.

10 Atchison, Topeka & Santa Fe			83
10 Canadian Pacific Rwy.			118⅞
20 American Woolen Co.			83½-72½
Total cost	$3,585	Income	$300
Cash with broker	2,000		
	$1,585		
Carrying charges			125
Profit from broker's account			$175

SECURITIES HELD OUTRIGHT.

$700 Victory Bonds 5½%.			
500 Montreal Tramway.			
700 Victory 5½s.			
500 Montreal Tramway 6½s, 1924.			
500 Saguenay P. & P. 6½s, 1934.			
500 McCormack Mfg. 6½s, 1940.			
5 Shawinigan Water & Pr. 7% stock.			
Total cost	$2,717.86	Income	$171
TOTAL INCOME FROM INVESTMENTS			$346

The Yearly Income

As you see, these returns on my investments, plus my savings of about $500 give me a yearly accumulation of over $800. My problem from there is how to map out my investments so as to insure those savings. As we all learn, sooner or later, money may be comparatively easy to obtain, but it is mighty hard to hang on to.

I now propose buying not less than $500 worth of bonds each year, putting the balance of my funds into some good preferred stocks. I have not decided, definitely, which ones to "pick on" yet.

I have made a rule for myself not to let my deposit with my broker run over $2,500, and not to owe him more than $2,000 at the most, particularly when interest rates are high and tend to run away with profits on stocks which do not move quickly. I can keep within this limit by not buying more than fifty shares of moderate-priced dividend payers. And I can keep the securities I own outright for emergencies.

Thus, my accumulations will quite easily pass the $10,000 mark by the time I have passed that "danger line, 40 years."

You will note that I do not figure on any increases in my salary. There's a reason: I don't believe in banking on what I can't be sure of getting.

I trust this plan of mine will prove of interest to some of your poorer subscribers, like myself.

Your plan seems conservative and sensible. You should reach your goal.

We note, with a good deal of interest, the market fortunes of the stocks you hold since you bought them. Thus, your Canadian Pacific, which cost 118⅞, is now selling 6 points higher; your Atchison is up from 83 to 96, or 13 points; and your American Woolen is now at the highest price you paid for it. Altogether, you have a paper profit on your shares of about $190, which is considerably more than they net you, in the form of dividends, in one year.

If you keep on making such shrewd investments as this—you are certain to reach the goal you have set yourself.

As to your plan for the future, we like it. So long as you have only a few hundred dollars to invest each year, over and above the $500 you put in bonds, you will probably get the best results from preferred stocks. However, there is no reason why you should not keep on the look-out for more such opportunities in high-grade common stocks such as those you now hold.

We note with interest your remarks about "non-unionized clerks" and "taking what salary one can get." We wouldn't advise you to feel too much hampered in these respects. No man with intelligence enough to make good investments for himself, and stick-at-it-iveness enough to

(Continued on page 582)

Preparing for the Unexpected

How the Disability Benefit Helps the Insured in Event of Total or Permanent Disability

By FLORENCE PROVOST CLARENDON

The accompanying article is the second of two written for this Magazine on the important subject of Disability Insurance. The preceding article appeared in our February 4th issue.

We invite inquiries on this, as well as any other form of insurance in which our readers are interested and concerning which they desire further information. Errors of judgment can be made in one's choice of insurance just as in one's choice of security investments, and it is a wise precaution to study the field carefully before making decisions.

IT is said that the first life insurance policy in this country containing the Total and Permanent Disability Provision was issued about 1896, and the development of this Benefit in different companies since that time indicates that a man's most valuable asset is his earning capacity. Hence the need of assuring its continuance. This provision which protects the insured during total disablement and incapacity from gaining a livelihood is a particularly interesting one, and it has become more and more popular as its value is increasingly understood and appreciated.

Total Disablement No Bar

Although the insured may become totally disabled and in receipt of the benefits under the Disability Provision, this fact does not in any way invalidate his right to the annually increasing loan values, and other privileges included in his policy contract. He would still participate in the annual dividend apportionment of the company (if insured in a "participating" company) and the dividends could either be applied to purchase additional insurance or taken in cash to increase his annual income. Despite his disablement and consequent inability to meet premium payments, his policy remains in *full force and effect*, and under the Income Clause of the Disability Benefit he would receive, as well, a monthly payment from the company during disablement. The full amount of the policy would, moreover, be paid to his beneficiary at his death.

The experience of various life insurance companies granting the Disability Benefit shows that the principal causes of disablement are tuberculosis, insanity, paralysis, cancer, and accidents. Rheumatism, heart disease, loss of sight, and various nervous maladies are also found in many cases to lead to total disability. One of the outstanding features brought out by records of life insurance companies is the high proportion of disability arising from tuberculosis, particularly at young ages. One case out of many is that of a man 36 years old with a wife and child, who has been totally and permanently disabled from tuberculosis and ulcers of the stomach, and unable to pursue any occupation during the past eight years. When about 26 years of age, and enjoying good health, he took out a life insurance policy in the sum of $5,000, the Disability Benefit being included. Two years later he developed Tuberculosis and shortly thereafter became unable to continue working. **When this condition arose, however, he entered on the benefits of the Disability Provision in his policy, all premiums were waived, and he received a monthly income of 1% of the face amount of his policy, $50 a month. The family live in a small town where this monthly income more than pays their rent, and relieved of the anxiety of meeting that expense, the young wife is enabled to earn sufficient to pay for their additional needs.**

The Chief Causes of Disability

A table dealing with this class of risk in life insurance companies shows that out of 1,000 men who are in good health at age 45, 31 will become disabled before attaining age 60. While the chance of becoming permanently and totally disabled in young manhood appears remote to the healthy man leading a normal life free from unusual hazards, this fact conveys no comfort to the man who is unfortunate enough to be among the small number of afflicted ones in a large group. One company which has been granting this benefit to its policyholders for over twenty years gives the figures contained in the attached table as to the relative causes of disability during the period in which the Disability Benefit has been operative.

CAUSES OF DISABILITY.

Tuberculosis	21%	of disabled cases
Paralysis	21%	" " "
Insanity	20%	" " "
Accidents	8%	" " "
Other causes	30%	" " "

It is obvious that this Benefit which largely increases some phases of the risk carried by the life insurance company could not be included in policy contracts issued to other than first class applicants.

ADDITIONAL PREMIUM FOR DISABILITY BENEFIT

	Ordinary Life	20-Pay't Life	20-Yr. End't
For waiver of premiums only	$2.60	$2.20	$2.80
For waiver of premiums and monthly income of 1% of the face amount of the policy ($100 a month in the case of a $10,000 policy)	19.00	22.60	11.80

A man whose physical condition is below par, or whose family history shows a record of Tuberculosis, or of nervous tendencies among its members, may be eligible for straight life insurance protection; but it is quite apparent that it would not be fair to the large body of healthy policyholders if the Disability Benefit were extended to those who, in insurance terms, are viewed as "sub-standard." The premium rate for the benefit is so small that the risk cannot be assumed if the hazard is markedly present. Thus an applicant with a family taint of insanity, or one who has suffered the loss of a leg, an arm, or an eye, would doubtless be viewed as ineligible for receipt of the Disability Benefits, although, other conditions being favorable, he would not necessarily be debarred from obtaining straight life insurance.

Why Be Prepared?

The loss of both legs, both arms, or both eyes, would constitute total disablement under the provisions of the Disability Clause and its benefits would be operative under such conditions, although the mental vigor of the insured might remain unimpaired and he could perhaps pursue some gainful occupation. **The number of accidents alone which are daily recorded in the newspapers must give cause for reflection to the thoughtful man on the street, who though blessed with good health and vigorous physique, still stands the same chance of accident and ensuing disablement which is incurred by the average pedestrian and the normal passenger in automobile, omnibus, trolley, and train.** Preparation for the unexpected should be made. This being the case, the man who is able to pass his examination for life insurance without adverse qualification by the medical examiner, should not fail to take advantage of the benefits offered under the Disability Provision.

The majority of companies that extend the Disability Benefit to their policyholders are willing to grant the privileges under that provision to *business* women. The provision is more necessary in the case of self-supporting women, while the evidence of permanent and total disability is also more readily defined and ascertainable. The benefit is frequently withheld from married women, because after middle life it becomes so difficult to distinguish between *total disability* and a lack of energy and concentration in daily tasks which is more in the form of following the "line of least resistance" than complete disablement. A man whose income is derived from invested funds is in the same category, but the type is not so numerous. The benefit is primarily intended to help the disabled *wage-earner* to "carry on" when work is no longer possible.

The amount of insurance on which this Disability Benefit is offered is restricted by most companies, as it is simply intended

to take the place of a living wage. A payment of $200 or $250 a month is the limit to which most companies are willing to guarantee the income under the Disability Benefit, although a few companies are willing to grant a larger amount.

The cost to the insured for the inclusion of this Disability Benefit in his policy is but slight, due of course to the fact that the number of such claims is relatively few. Our second table gives an indication of the cost of including the Benefit in a life insurance policy, **assuming that the insured's age is 30, and the policy for $10,000.**

"But I cannot live on $100 a month," the applicant for a policy of $10,000 may remark. If that is the case, his family would find increasing difficulty in endeavoring to live on the income derived from $10,000 at 5% after his death. Figures on an income plan always point the need for a man's increasing his insurance protection for the family.

Points for Income Builders

The Case for Investment Associations

IN the year 1901, or thereabouts, a man is said to have been discovered in Selina, Arkansas, who worked at his desk eight hours a day, day in and day out, solely for the joy of working.

The discovery might well have been made the occasion for much merry-making and rejoicing. In fact, there would have been justification for proclaiming the day and date a national holiday, and the man a national hero.

Certainly, never before or since has such a monumental character been revealed.

Why Men Work

The world—and, not infrequently, his wife—works eight hours a day, day in and day out, for a very different reason from that of the man in Selina. It's a plain, ungarnished and somewhat brutish reason.

The world—and, quite often, his wife—works for the drab, colorless and inexorable reason that, if he didn't, he'd very probably starve.

It is because men and women, of the vast majority, work under this compulsion, only because they have to, that we are all so hungry for a way out—for a means of relief from what is drudgery for many and toil for all. We all long, ardently, to be able to do what that investment banker did last month: Announce our retirement from business while we are "still young enough to play."

Expressing a Desire

Some years ago, THE MAGAZINE OF WALL STREET gave expression to this universal desire in the slogan, "Financial Independence at Fifty!" In the years since, the MAGAZINE's work has been amplified and developed many-fold by other organizations.

Whole libraries have sprung up in the process. And there is much that is interesting—even inspiring—in the literature evolved.

For example, it is interesting to find a book that figures out for you what the net result of savings of $1 a week, compounded semi-annually at 3½%, will be over different periods of time; and it is inspiring to learn that, in 10 years' time, the paltry stipend will grow to six-hundred and nineteen dollars and six cents!

It is interesting to read such a pamphlet as that written by Mr. Clifford B. Upton (published by the American Bankers' Association) on the subject of Thrift; inspiring to learn his "secret" of how to get $200 for a $100 Liberty Bond—by banking the $2-coupons each month for 17½ years.

THE FIRST YEAR'S RESULTS

Paid into capital account.		$1,000
2 Paid into savings account.		100
Interest for 11 months.	$5.50	
3 Paid into savings account.		100
Interest for 10 months.	5.00	
4 Paid into savings account.		100
Interest for 9 months..	4.50	
5 Paid into savings account.		100
Interest for 8 months..	4.00	
6 Paid into savings account.		100
Interest for 7 months..	3.50	
7 Paid into savings account.		100
Interest for 6 months..	3.00	
8 Paid into savings account.		100
Interest for 5 months..	2.50	
9 Paid into savings account.		100
Interest for 4 months..	2.00	
10 Paid into savings account.		100
Interest for 3 months..	1.50	
11 Paid into savings account.		100
Interest for 2 months..	1.00	
12 Paid into savings account.		100
Interest for 1 month...	.50	
	$33.00	$2,100
Interest on original capital for 12 months	60.00	
Total interest	$93.00	
Transfer to second year capital..		$2,193.00

Then there are the investment tables. One chart shows how you can amass $50,000 between your 20th and 65th birthdays by the simple mechanical process of investing $25.49 at 6% each month, and reinvesting principal and interest at the same rate and for the entire period. Another, slightly less conservative, shows how monthly savings of only $50, with principal and interest re-invested at 7%, becomes $40,000 in 25 years!

But——!

At the same time, the Practical Investor, as opposed to the Theoretical Investor, finds this literature on financial independence woefully lacking in one respect: Completeness.

It's all right to say that, *if* a man invests $25 a month for 25 years at 7%, he will have $19,000-odd at the end of the time. The theory is fine. But when it comes to working the thing out, Mr. Practical Investor finds it almost impossible—probably finds it absolutely impossible—to live up to the letter of the agreement. To be sure, he can almost always find bonds that will yield 7% or more; but for at least 5 out of every 25 years, bonds yielding that amount will not be the right sort of security for such an investor to buy. Even assuming him willing to risk his money in such bonds, year in and year out, he will soon discover that even these speculative issues are not available in denominations to fit his monthly savings—that is, denominations of less than $50.

And so it goes. The further the would-be investor delves into this literature on financial independence, the more obstacles he encounters.

A Thought

This department, in its delving, has come to the belief that our libraries on Income Building would be much improved, if only from the standpoint of *completeness,* if attention were given to one method of income building now almost wholly neglected. That is the method which has long been practised in Great Britain—i. e., the Investment Trust.

Through adaptations of the investment trust idea, any investor is qualified to invest any amount of money, at any time, and secure:

(1) The best prevailing interest rate.
(2) Income from the time investment is made, without deductions.
(3) Infinite diversification.

Suppose you have $200 surplus now and that you can save $20 a month. You find four other men similarly situated and who can save a similar amount. The five of you agree to pool your savings, which puts $100 a month at the disposal of your Association.

What the Association would be able to do with these funds in 15 years' time is shown in the accompanying tables. And this department knows of no other way by which similarly good results could be attained on $20 a month savings by the individuals participating in the plan.

2ND TO 15TH YEARS

PRINCIPAL AND INTEREST RE-INVESTED AT 6%.

Year	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th	15th
Transferred from previous yr.	$2,193	$3,564	$5,016	$6,555	$8,187	$9,917	$11,750	$13,691	$15,752	$17,986	$20,249	$22,760	$25,367	$28,124
Savings during year	1,200	1,200	1,200	1,200	1,200	1,200	1,120	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Interest on monthly savings.	39	39	39	39	39	39	39	39	39	39	39	39	39	39
Interest on capital	132	213	300	393	491	594	702	822	945	1,074	1,272	1,365	1,518	1,686
Balance forward	$3,564	$5,016	$6,555	$8,187	$9,917	$11,750	$13,691	$15,752	$17,986	$20,249	$22,760	$25,367	$28,124	$31,049

Public Utilities

North American Company

One of the Strongest Public Utility Companies

Preferred and Common Stock Still Looks Attractive—Unusual Possibilities Offered Through the New Rights

By **R. M. MASTERSON**

As has been so oft repeated, the major purpose of THE MAGAZINE OF WALL STREET is to make money for its readers. Last September, to be exact, in the September 17th issue, an article appeared on the North American Company. Both the preferred and common stocks were very strongly recommended for purchase. To quote from the article:

"The new preferred is not speculative but can be classed as a conservative investment and at its present price (then about 31) it is decidedly out of line with other preferred stocks of like character. It is the writer's opinion that, judging the stock on its merits, it should be selling, even in the present market, at a price to yield not over 7½% and that when the investing public becomes thoroughly acquainted with its soundness it will sell at a price ten points or more above current quotations."

And as to the common, the following:

"At its present price of about 33, on the New York Stock Exchange, this common stock yields over 9%. The fact that the market price is slightly above the preferred would indicate that some recognition has been made of the company's future possibilities, but even this price will some day look exceptionally cheap if the company comes anywhere near equalling the prospects that appear to be in store for it."

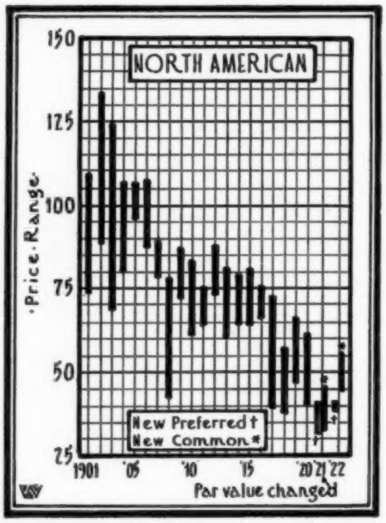
Today the preferred is selling at about 41, fullfilling to the letter the prediction of last September. The common is quoted at approximately 55, showing an increase of over 20 points from the price where it was originally recommended.

Naturally, readers who purchased these stocks are interested to know if the time has yet come to sell. Furthermore, as some very interesting and highly significant developments have transpired in the company's affairs, another article at this date, is not believed out of place.

Organization

For the benefit of those who are not familiar with the organization and construction of North American Company, let us say that it was originally incorporated under the Laws of New Jersey in 1890 and is one of the oldest Public Utility holding companies. The company's subsidiaries are the largest public utility properties in Wisconsin and Missouri and in addition include extensive coal properties in Kentucky and Illinois. These subsidiaries operate street railways, gas, electric light, power, heating and coal properties. The territory served covers an area of approximately 6,600 square miles and a population of 1,800,000.

The Wisconsin group of companies include the Milwaukee Electric Railway & Light Company, Wisconsin Gas & Electric Company, North Milwaukee Light & Power Company, Wells Power Company and Wisconsin Electric Power Company. Included in the territory served by these companies are the three largest and most important industrial cities in the State—Milwaukee, Racine and Kenosha. In Missouri, the subsidiaries consist of the Union Electric Light & Power Company and the St. Louis County Gas Company.



These companies supply electric light and power service in the city of St. Louis and surrounding territory and gas is also supplied in St. Louis suburban territory. All territories served are showing steady and consistent growth. Physical properties are all in excellent operating condition and franchises and public relations are satisfactory.

In addition to its subsidiaries the company owns $2,565,400 par value Detroit Edison Company capital stock, on which it received dividends at the rate of 8% per annum. It also owns $18,401,000 par value of the common stock of the United Railways Company of St. Louis, but as this company is now undergoing a reorganization, North American has erred on the safe side by carrying the investment on its books at one dollar.

Capital Changes

For a number of years North American's capitalization stood at $29,793,300, in one class of capital stock of $100 par value. Dividends were inaugurated in 1903, in which year a total of $4 per share was paid. In 1904 the rate was increased to $5 per annum, and with the exception of the period of from December, 1907, to April, 1909, the $5 rate was continued without interruption until 1921. In August of 1921, however, the stockholders voted to increase the authorized capitalization from $30,000,000 of all one class of stock to $60,000,000, divided into $30,000,000 6% cumulative preferred and $30,000,000 common stock, each having a par value of $50 per share. The old capital stock of $100 par value, outstanding in amount of $29,793,300, was accordingly exchanged for the new stock on the basis of one share of new preferred and one share of new common for each old share surrendered. The new common has been placed on a 6% dividend basis ($3 per share) so that the combined return of the new preferred and common stocks is equal to a $6 basis for the old $100 par value stock. Both issues are actively dealt in on the New York Stock Exchange.

North American Company itself is free of any funded debt, although the subsidiaries have various bond issues outstanding aggregating a net obligation of about $72,000,000. According to the latest consolidated Balance Sheet, dated September 30, 1921, the net tangible assets, exclusive of all intangible items and after deducting reserves of over $19,000,000 and funded debt and minority stock interests of subsidiaries, amounted to $38,431,710 behind $14,896,650 6% preferred stock and $14,896,650 common stock. This was equivalent to over $128 per share of $50 par value of preferred stock outstanding, and after deducting this preferred at par, the balance remaining for the common amounted to about $79 per share of $50 par value outstanding.

The company recently adopted a plan under which additional common stock has been offered to its common stockholders for subscription. Presumably, the company has decided to provide the necessary funds for its further development through the sale of common stock. This plan possesses some extraordinary features which have aroused considerable interest and at the same time it has made possible an unusual speculative opportunity which absolutely limits the amount of risk and calls for an original outlay of a comparatively small amount of cash.

The New Rights

Common stockholders of record December 15, 1921 were given the right to subscribe at par ($50 per share) for additional common stock in a total amount equal to 70% of their holdings on that date. The offering was divided into four installments of 15%, 20%, 20%, and 15%, but it was provided that if a stockholder failed to exercise his subscription privilege in any installment, his right to the succeeding installments terminated. Subscriptions to the first installment (15%) had to be made on or before January 3, 1922 and stockholders who made this subscription received a so-called Option Warrant Series A, entitling them to subscribe to the second installment (20%) on or before December 30, 1922. Upon exercising this second subscription, stockholders will receive Option Warrant Series B, entitling them to subscribe to the third installment (20%) on or before June 30, 1923, and upon the exercise of the third installment, Option Warrant C will be issued entitling them to subscribe to the fourth installment (15%) on or before December 31, 1923. All subscriptions are made at par, $50 per share.

Subscriptions for the first installment, accordingly, have been closed, and as the installment was underwritten, the full amount of $2,233,350 has no doubt now been issued. Subscriptions for the three remaining installments are to be made under Option Warrants of Series A, B, and C, respectively. Series A Warrants are now being traded in on the New York Stock Exchange. They are selling in the neighborhood of from 6 to 7 on a "Rights" basis; that is, each "Right" represents the amount of the subscription privilege that accrued to the holder of one share of stock of record as of December 15, 1921. The "Rights" on 100 shares (or 100 Rights) would, therefore, be represented by a Series A Warrant, entitling the holder to subscribe to 20 shares of common stock at $50 per share, at any time, at the holder's option, up to December 31, 1922. Immediately upon subscription under Series A Warrant the subscriber will receive Series B Warrant, entitling him to subscribe to 20 additional shares at $50 per share at any time up to June 30, 1923 and immediately upon subscription under Series B Warrant he will receive Series C Warrant entitling him to subscribe to an additional 15 shares at $50 per share up to December 31, 1923. Therefore 100 "Rights," as they are quoted on the Exchange, represent the privilege of subscribing at $50 per share, for a total amount of 55 shares of common stock. Subscription for the entire 55 shares may be made at any time on or before December 30, 1922, or if the holder of the Rights so elects, he may subscribe for 20 shares on or before December 30, 1922, for 20 shares on or before June 30, 1923 and for 15 shares on or before December 31, 1923. In other words, the Warrants that the Rights represent, are divided into three groups, i. e., "A" (now traded in), "B" issuable upon the exercise of the A Warrants, and "C" issuable upon the exercise of the B Warrants. All Warrants are transferable and divisible and each subscription privilege may be exercised in whole or in part. The subscriber, therefore, if he wishes, may take up only part of the shares and receive warrants for the balance under which he may later subscribe at his convenience during the option period.

Advantages

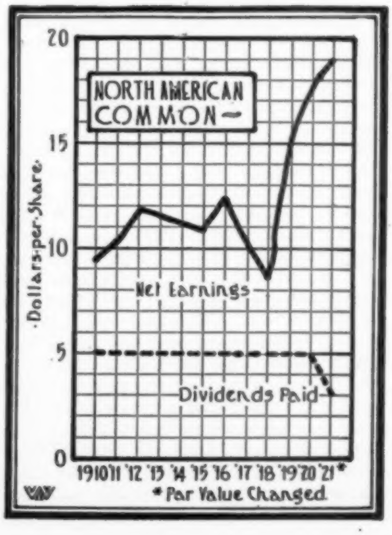
From the foregoing it will be seen that the holder of A Warrants has almost a year (to December 30, 1922) to take up all or part of the full number of shares; almost a year and a half (to June 30, 1923) to take up all or part of the shares covered by the B Warrants; and almost two years (to December 31, 1923) to take up all or part of the shares covered by the C Warrants. The advantages of such a flexible arrangement are readily apparent. An outright purchase of Rights can be made at a cost of somewhat less than the amount of margin which would ordinarily be required to carry an equivalent number of shares of stock. The purchase price of the Rights represents the total investment, and therefore, the minimum risk under the most unfavorable circumstances and the owner of the Rights is relieved of any concern regarding adverse market conditions. He may, at any time he desires, within the option periods, exercise his privilege of subscribing at the fixed price of $50 per share or he may sell all or part of his Rights at a profit, should their market price increase as should logically occur if the price of the stock rises.

NORTH AMERICAN COMPANY.

	Gross earnings	Net for depreciation and dividends
1910	$10,950,000	$2,820,000
1911	11,700,000	3,070,000
1912	12,900,000	3,560,000
1913	14,690,000	3,490,000
1914	15,700,000	3,370,000
1915	16,190,000	3,240,000
1916	18,360,000	3,730,000
1917	20,960,000	3,018,000
1918	24,790,000	2,550,000
1919	30,340,000	4,580,000
1920	39,610,000	5,390,000
1921*	41,000,000	6,550,000

*Partially estimated.

It is true that a differential exists between the current market price of the stock and the prices of the stock which would correspond with the market value of the Rights. For instance, with the stock now selling at about 55, the Rights are quoted at about 6½. The cost of 100 Rights at 6½, or $650, covering what is in reality a CALL on 55 shares, is equivalent to about $11.82 per share. The addition of the subscription price of $50 per share makes a total of $61.82 per share, or $6.82 above the price of the stock at 55. A call on a selected stock is ordinarily issued at a cost of $1.375 per share, for a period of thirty days, at a price ranging from 2 to 7 points ("points away") above the current market price, depending upon the activity or speculative character of the stock on which the call is purchased. The addition of the cost of the call to the average "points away" of, say 4, makes a differential of $5.375 per share for a thirty day period, while in the case of North American Rights a call may be had for an average period of nearly a year and a half at a differential of only $6.82 per share.



Future Possibilities

North American Company has recently given out a statement that net earnings for the year 1921, before depreciation but after the deduction of the equivalent of a full year's preferred stock dividend requirements, would amount to approximately $19 per share of common stock. This represents an increase of more than 25% over the corresponding figure for 1920. Against these earnings of $19 per share of common stock dividends of only $3 per share are being paid. Assuming that the company will continue its conservative policy of setting up generous reserves for depreciation, a very substantial amount will still remain over and above what is now being paid in dividends on this common stock.

These earnings do not reflect the earning power that will be added as a result of the investment of the proceeds of subscriptions under the recent offering of additional stock. Furthermore, public utility costs are continuing to decrease, notably in labor and materials and supplies, and these diminished costs must reflect higher earnings. A study of the graphs and table accompanying this article clearly show the steady growth of the company, despite the general business depression, and with a revival in industry even greater results can be looked for.

In July, 1921, when the capital stock was reclassified into preferred and common, the directors indicated that the adoption of the plan would permit the release of a larger proportion of the earnings for dividends. In view of the progress the company has been making and the relatively small amount required for the payment of preferred dividends, increased dividends on the common stock may reasonably be looked for in the not far distant future.

Conclusion

To sum up: The preferred stock at its present price of about 41, paying cumulative dividends of $3 per annum, yields about 7.31%. The unusually large equities behind it and the extremely wide margin of safety in earnings stamp it as conservative in every respect and one of the

(*Continued on page 574*)

Petroleum

Increased Interest in Pipe Line Securities

The Effect of Mexican Oil Imports on U. S. Pipe Line Companies—What the Recent Rise Signifies

By C. N. LINKROUM

SECURITIES of the Standard Oil pipe line group of companies have recently enjoyed the most substantial recovery which they have had in several years. These stocks, however, are still selling near their low record prices and in some cases are now quoted at prices one quarter to one half their high levels reached in 1913. Many investors hold the pipe line stocks at prices which show them a big loss now. The revived interest and activity which has recently been displayed in them gives rise to the question as to their possibilities for recovery to anything like their former high prices.

There may be some investors who do not understand just what a pipe line company consists of. A pipe line is not only a line of pipe but includes a whole plant which is used for the purpose of conveying oil from one point to another. In addition to the pipe there are tanks for storing the oil at intermediate and terminal points, power plants for removing the oil through the pipes and a system of communication along the lines usually embracing a telegraphic system. There are gathering lines which gather the oil from the individual wells and which usually converge at some point where the oil is transferred to trunk lines corresponding with the great railroad trunk lines. At the present time the fields of the United States are producing around 1,400,000 barrels daily and practically all of this oil is transported by pipe lines. Some of it is carried over the pipe lines only a few miles while some is carried for over 1500 miles, the oil being transferred from one line to another. President Forrest M. Towl of the Southern Pipe Line Company recently estimated that probably 200,000 tons daily moves for a distance of over 500 miles which would make 100,000,000 ton miles daily. If this oil were moving over a railroad 500 miles long in tank cars carrying 200 barrels each, it would require 6550 tank cars to be delivered each day. A tank car has to be moved back to be reloaded whereas in a pipe line only the freight moves.

As Common Carriers

In 1906 Congress passed a law making pipe lines common carriers and in 1914 the United States Supreme Court declared this law to be constitutional. This resulted in the two large Standard Oil producing companies having to divorce their pipe line business from their other business. The Prairie Oil & Gas Company turned over its pipe lines to the Prairie Pipe Line Company and the Ohio Oil Company transferred its transportation system to the Illinois Pipe Line Company. The Prairie Pipe Line system runs from Oklahoma, Kansas and Texas north to Chicago. In making its rates as a common carrier the Prairie Company had to take into consideration the rate for transporting oil south to the Gulf Coast and thence by water from Gulf ports to the eastern seaboard refineries as a matter of competition. This resulted in the Prairie establishing such a rate that a general revision of pipe line rates by other companies carrying oil to the East was necessary. This marked the beginning of a serious decline in pipe line earnings and this together with decreased traffic caused such a sharp contraction of earning power that dividends were radically reduced and are now in some cases less than one fourth the dividend rates of 1912 and 1913.

During the war period, pipe line operating expenses were naturally increased as in the case of the railroads and public utility companies. This together with tax payments cut into the earnings still further. **As a result of these conditions, however, the pipe lines in the last few years have increased their rates a number of times so that at the present time the rates charged by these companies are close to what they were in 1914 before the general rate revision took place.** Therefore, the principal factor which is likely to affect earnings now is the amount of traffic handled and the operating expenses. As we reach the period of "normalcy" operating expenses are likely to be reduced and have already been lowered to some extent. The question of the volume of oil to be handled is a rather complicated one. What has probably had more effect in reducing the business of the lines running to the East in the last few years than anything else has been the heavy imports of crude oil from Mexico. Until within the last few years the great refineries located on the Eastern seaboard received the bulk of their oil from the pipe lines, this oil coming from the various eastern fields and also from the Mid Continent field. But since Mexico has assumed the position of supplying about one quarter of our oil requirements the Atlantic seaboard refineries have been run largely on Mexican crude. Every barrel of oil imported by tank steamers has meant that much less business for the pipe lines. In the case of one of the trunk pipe line companies this has meant a reduction in business to approximately one quarter of the line's capacity. **Like the general outlook for the oil industry in the near future the prospects for the pipe line companies are dependent largely upon the Mexican producing situation. If Mexico's production is to decline, as seems to be the consensus of the best opinion, then the pipe line companies are on the eve of a big increase in business and earnings.**

Several of the pipe line companies have recently issued their financial statements for the year 1921. These statements generally show that the dividends paid in 1921 were not quite earned. The present dividend rates, however, are less than the total payments for 1921 and in most cases the present dividend rate was more than earned last year. As long as the dividends were declining each year and were not being earned investors naturally were not attracted to the pipe line stocks even though they showed a return of 10% or more on the market prices. The high yields, of course, indicated the speculative nature of the investment. But now, when it appears that the present reduced rates of dividends are being earned under the most unfavorable conditions with regard to traffic, investors who have held these stocks at much higher levels are beginning to average down the cost of their holdings and Standard Oil stockholders who have heretofore held aloof from the pipe lines have begun to accumulate a few of these securities.

Twelve Companies

In the Standard Oil group there are twelve pipe line companies as follows: Buckeye Pipe Line, Crescent Pipe Line, Cumberland Pipe Line, Eureka Pipe Line, Illinois Pipe Line, Indiana Pipe Line, National Transit, New York Transit, Northern Pipe Line, Prairie Pipe Line, Southern Pipe Line and Southwest Penn Pipe Lines. Some of these companies are engaged only in the trunk line business, receiving oil from other lines and delivering it either to other lines or direct to the refineries. Most of them are engaged in both the gathering and trunk line business.

Buckeye Pipe Line Company gathers oil from wells in the state of Ohio which is transferred to its own trunk line system. In addition to handling this oil the company's trunk lines receive oil from the Mid Continent field through the Indiana Pipe Line system. The Buckeye lines deliver oil to the Imperial Oil Company of Canada's pipe line at Cygnet, Ohio. The company also transfers oil to the Northern Pipe Line Company on the Ohio-Pennsylvania border. The refineries which are served direct by the Buckeye are those of the Standard Oil of Ohio at Toledo and Cleveland and that of the Solar Refining Company at Lima, Ohio. Crescent Pipe

Line Company is a trunk line and does no gathering business. This company's line runs from western Pennsylvania, where it connects with Southwest Penn Pipe Lines, and runs in a northeasterly direction to Philadelphia, where it supplies the Atlantic Refining Company. Cumberland Pipe Line Company gathers oil from the Kentucky fields. The company's trunk lines connect with those of the Eureka Pipe Line Company. The latter company operates a very extensive gathering line system reaching nearly all the wells in the state of West Virginia, the average well connected with these lines being a very small producer. The company's trunk lines deliver oil to the Southwest Pennsylvania Pipe Lines and to the Southern Pipe Line Company.

Indiana Pipe Line Company collects oil from the wells in the state of Indiana but its most important business is its trunk line traffic. The company's main trunk line runs from Whiting, Indiana, where it receives a large amount of oil from the Mid Continent field which it transports to the Ohio state line. Illinois Pipe Line Company gathers oil from the wells in the state of Illinois, but this is a small part of its business. Its trunk lines extend for more than 1000 miles from Wood River, Ill. to Centerbridge, Pa., joining the trunk line of Prairie Pipe Line Company in the west with the Standard Oil of New Jersey pipe line in the east. This line therefore serves as a direct connection between the western fields and the eastern seaboard refineries. The Illinois Company in the last few years has also built pipe lines in the state of Wyoming. National Transit Company does a large gathering business in Pennsylvania and its trunk lines deliver to the Southwest Penn Pipe Lines and the New York Transit Company. The company's trunk lines also receive oil from Northern Pipe Line and deliver to the Atlantic Refining Company at Point Breeze, Pa. and also to other lines running east. The Company also is engaged in the machinery business, making pumps and pipe line equipment.

New York Transit

New York Transit Company is engaged only in the trunk line business, its main line running from Olean, N. Y. and supplying the Bayonne refinery of Standard Oil of New Jersey and also the Standard Oil of New York plants at Long Island City and Brooklyn. The company has a line running under the Hudson and East Rivers, but it is understood that recently oil has been transferred by the company to barges to supply these plants instead of being transported under the rivers. Northern Pipe Line Company is engaged only in trunk line business, its lines running from the western border of Pennsylvania, where it connects with Buckeye Pipe Line, to a connection with the National Transit Company and also with the New York Transit Company at Olean. Southern Pipe Line is a trunk line company connecting with Eureka Pipe Line at the Pennsylvania-West Virginia border and delivering to refineries at Philadelphia and to the National Transit Company and also connecting with the Standard of New Jersey lines east. Southwest Penn Pipe Lines gathers oil in Pennsylvania and also operates a trunk line connected with Buckeye Pipe Line, Eureka Pipe Line and National Transit. This line serves refineries at Pittsburgh. Prairie Pipe Line Company controls the most important pipe line system of all, embracing over 6000 miles of gathering and trunk lines. Its lines are connected with wells in Oklahoma, Kansas and Texas. The company delivers to the Standard of Indiana refineries at Wood River, Ill. and Whiting, Ind. and also delivers to various other lines running east as has been outlined above. The company also delivers southward to the Oklahoma Pipe Line and Standard of Louisiana pipe lines running to the Standard of New Jersey refinery at Baton Rouge, La.

Map showing elaborate oil pipe line system in the eastern half of the United States

If all the pipe lines in the United States were put together in a single line it would girdle the Equator with 5,000 miles to spare

Prairie Pipe Line

Generally speaking, the companies operating trunk lines which are important connecting links in supplying oil from the Mid Continent field to important refineries are in the best strategic position. The great bulk of the country's oil supply outside of California comes from the fields of Oklahoma, Kansas and Texas. These fields are likely to supply large quantities of oil for a long period and if imports are reduced their production will be needed more than ever. Prairie Pipe Line Company will naturally receive the major portion of this business. In connection with this company's stock, however, it must be considered that the company in recent years has been expanding its lines to such an extent that the greater portion of its earnings have been turned back into the property. This has resulted in the dividend rate being reduced from 40% per annum to the present rate of 12%. There is no recent financial statement of this company but it must be assumed from the record volume of business which the company has been doing that its earnings are running at a very favorable rate. The present dividend rate of this company seems to be very safe and there are good possibilities of it being increased in the future. One of the favorable points in connection with most of the pipe line companies is that the securities are selling considerably below their book value and in some cases below the net cash asset value. If certain companies stopped operating and gave their pipe line properties away they would have enough left in liquid assets to provide close to the present selling price of their stock.

Conclusion

From the long range viewpoint it is to be considered that even if Mexico's imports seriously decline we will eventually bring in large quantities of oil from the South American fields. It is likely, however, that it will be a considerable time before South American imports reach large proportions. **In the meantime, there is a good possibility of the pipe line companies showing a substantial increase in earnings and favorable possibilities for further appreciation in these securities from present low levels.**

Success of Treasury Financing

Secretary Mellon's large offerings of Treasury certificates have been promptly absorbed. He now announces that in the payment of the instalments of the income tax for this year Victory Notes, with all coupons attached, may be received. Thus the program for the conversion of the maturing debt is being early developed, and it may be expected that if public credit can be maintained at its present high level a very considerable part of the outstanding obligations will have been taken up before their final maturity.

There will undoubtedly be some reduction in the gross amount of debt outstanding if the Treasury should not be compelled to face deficits due to extravagant expenditures, but the bulk of the notes and bonds purchased or redeemed will necessarily be represented by new issues which will take their place in the market, at rates of interest lower than those which the old notes are now bearing.

Mining

American Smelting & Refining Company | *U. S. Smelting, Refining and Mining Company*

Smelting Companies Have Turned the Corner

Increased Demand and Higher Prices—Costs of Operation Reduced—Improved Financial Condition

By **FRED L. KURR**

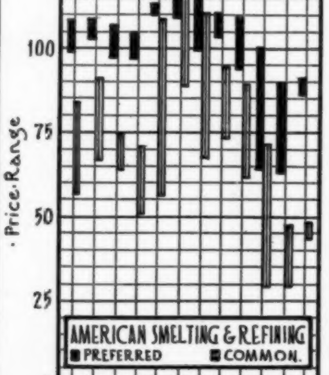
THE smelting companies in the past eighteen months have passed through a very trying period. Owing to the low price of metals prevailing during this period, many mines closed down and those which continued operations did so on a greatly reduced capacity. Copper, zinc, tin and lead all fell below pre-war price levels in 1921 while the cost of production, especially in regard to transportation, remained considerably above the pre-war period. This combination of circumstances was more than the traffic would bear and resulted in drastic curtailment in the production of these metals.

Reduced production, while temporarily resulting in severe losses to the mining and smelting companies, was the best and in fact the only possible cure for the situation. Metals throughout the greater part of 1921 were being consumed much more rapidly than they were being produced, resulting in a material reduction in the surplus stocks. At the present time supplies of copper, zinc and tin are still somewhat above what is generally considered normal, although great improvement has been shown. In the case of copper the surplus has been reduced from one billion pounds to about five hundred million. Lead is in the strongest position of all with no abnormal surplus now on hand. There is unquestionably a great latent demand for these metals, and when construction starts, as it must sooner or later, in building activities of all kinds, there should be an era of prosperity in the metal business in which of course the smelting companies will share.

Of course this coming prosperity in the metal industry may take some time to grow to important proportions, but the tide is undoubtedly rising and there is apparently no question that the smelting companies have seen the worst. The improvement has already been marked, the last six months of 1921 having been very much better than the first six months.

Lower Costs

In addition to the increased demand and better prices prevailing for metals another important point to consider is the reduction in the cost of operation. Substantial progress has been made along these lines. American Smelting & Refining has enforced every economy. Wages have been reduced on an average of 30% and all salaries from the president down, have been cut 20%. Similar reductions have been made in all other expenses. Improved political conditions in Mexico is another favorable factor as the two largest smelting companies, American Smelting & Refining Co., and United States Smelting, Refining & Mining Co., have extensive interests in that country and for years have been greatly hampered there in their operations due to recurring revolutions.



In view of these facts there is little doubt that the smelting companies are now facing a reasonable era of prosperity. Moreover, stockholders are in a position to get the full benefit of any prosperity that may come as these companies were able to weather the period of depression without resorting to any new financing, having kept their losses down to very moderate amounts. Conservatism in the past built up a strong financial condition and any marked improvement in earnings should quickly result in the resumption of dividends on the common stocks.

AMERICAN SMELTING & REFINING

Record of the Leading Interest

For a long period of years American Smelting & Refining Company has shown itself to be a very consistent performer in the matter of earnings. In the boom periods of the metal industry of course earnings have taken a sharp upward bulge, but in the periods of depression the company up to the year 1921 had always been able to show profits, sufficient at least to cover the 4% dividend on the common stock. Even in 1920 which was by no means a satisfactory year 4.81% was earned on the common.

The combination of unfavorable conditions in 1921, however, proved too much for the company and it had to break its splendid record of uninterrupted dividend payments since 1904, during which period never less than 4% was paid, by passing the dividend on the common stock in May, 1921. This action was taken first, because the dividend was not being earned, second because the company was a borrower at the banks, a result of heavy inventories, and third, because the outlook at the time was a rather uncertain one. All of the company's zinc smelters being shut down, several of its copper plants and all of its Mexican mines and smelters. Under these conditions the management felt that conservatism was the best course although the company had a $22,783,326 surplus which could have been drawn on to pay the dividend.

Since the passing of the dividend there has been a big change, not only in the financial condition of the company, but in the increased activity of its business and the outlook. In the first six months of 1921 the company succeeded in

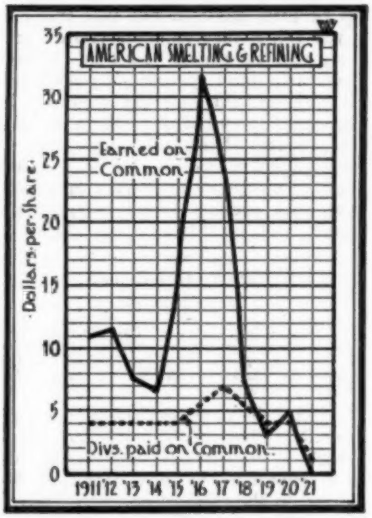
AMERICAN SMELTING AND REFINING.

Metal Products.

	1918	1919	1920
Ounces of gold	1,994,015	2,191,041	1,849,048
Ounces of silver	72,572,506	73,200,298	77,732,911
Ounces of platinum	1,516	1,824	936
Tons lead	260,192	208,439	205,249
Pounds copper	868,540,000	705,676,000	590,850,000
Pounds spelter	41,238,000	33,375,301	44,106,253
Pounds nickel	625,085	662,637	375,167
Pounds tin	19,868,000	15,340,000	18,511,160
Pounds sulphuric acid	87,338,000	40,362,000	51,668,000
Pounds arsenic	7,237,068	9,359,541	17,695,266
Pounds copper sulphate	5,164,000	3,675,499	3,618,172
Pounds by-products metals	1,870,662	884,438	1,549,426
Pounds sulphur dioxide	......	4,988,000	8,154,734

reducing its metal stocks on hand $8,600,000 and in the last six months of 1921 further inroads were made, with the result that the company is now in very easy financial condition, having retired all of its bank loans.

Throughout the West considerable working of silver mines is occurring with the result that the company's lead smelters in the intermountain region are fairly busy. In fact, the East Helena smelter is receiving so much silver ore that it has had to refuse considerable low grade



ores. Improvement in the price of foreign silver has helped the company partly through increasing earnings from its Mexican mines and partly through the increasing amount of ore coming to the Mexican smelters on custom account. In the United States the copper output is still largely confined to the Garfield and Tacoma plants, but with Ray Consolidated and Chino Copper companies expected to reopen soon the Hayden and El Paso copper plants of the company should soon be adding to the income.

Recent Improvement

For the six months ended June 30, 1921, American Smelting reported a deficit of $3,203,966, after paying the preferred dividend, not an unusually bad showing as $2,103,669 was deducted for depreciation and depletion. In the last six months of 1921 there was a marked improvement and it is semi officially stated that in that period the dividend on the preferred was fully earned. There is a possibility that the report for the full year 1921 may show the preferred dividend covered because of the increased value of the company's inventory. If the management sees fit to do so this inventory undoubtedly could be marked up sufficiently to wipe out any deficit.

The company has always been conservative with regard to prices at which inventory was carried. As of December 31, 1920, this account stood at $53,800,000. The company carried as "normal stock" in this inventory 14,805,000 ounces of silver at 50 cents, 34,684 tons of domestic lead at 3.88 cents and 15,000 tons of copper in process at 12 cents. All stock of metal in excess of the foregoing is carried at actual cost. This practice in making the inventory has been followed for more than ten years. As a result of this policy American Smelting, unlike most companies with large inventories, has profits in this account instead of losses.

In addition to owning smelters in all the important mining districts of the United States and Mexico this company also has very valuable mining properties. The most important are the silver mining properties in Mexico. In South America the Caldera Smelter in Chile and several mining properties were acquired in 1916 but are not now operating. In the past the company received very handsome returns on its Mexican properties and the improvement of conditions in that country are of great importance.

The attack made by Mr. Karl Eilers, a former director and vice-president of American Smelting, on the Guggenheim management had a very unfavorable effect on the market for the company's securities when it was first made in the latter part of 1920, but subsequently there was a change in sentiment. When the searchlight of publicity was put on the company's affairs, stockholders were pretty thoroughly convinced that there was "no nigger in the wood pile" as far as the present condition of the company was concerned, that its properties were splendidly maintained and that official reports in the past always reflected the true condition of the company. That the company could have been better managed and shown larger profits may or may not be true but the important point is that, as it stands now, it is a thoroughly sound organization and in excellent condition in every way. The Guggenheims are to be commended for offering every facility to independent interests to thoroughly investigate the company's affairs. In our opinion there is every reason to believe that in the future as in the past the company will be honestly and efficiently managed by those now in control.

American Smelting owns all of the common stock, 90½% of the preferred "B" and 40% on the preferred "A" of the American Smelters' Securities Co. In the company's reports the earnings of these two companies are consolidated. Capitalization of American Smelting consists of $32,574,700 funded debt, $50,000,000 7% cumulative preferred and $60,998,000 common, par $100. Dividends on the preferred stock have been regularly paid since issuance. For dividends on common see accompanying graph.

Financial Position

Working capital of the company as of June 30, 1921, totaled $54,800,000, including metal on hand of $45,200,000. After allowing for the funded debt this working capital is equivalent to about $45 a share on the preferred stock.

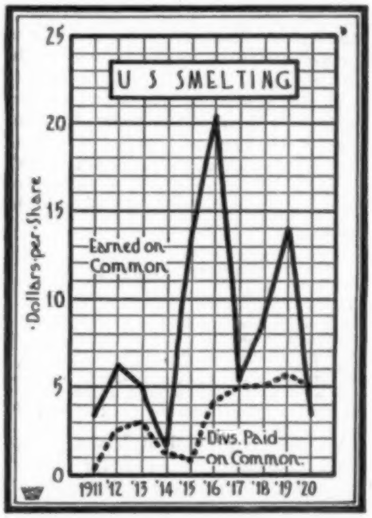
The attacks on the management combined with a bear market and the passing of the dividend on the common caused a very disastrous decline in the stocks of this company the common reaching a low of 29⅝ and the preferred a low of 63¼ in August, 1921. For the twenty years ended with 1919 the common never sold below 36 and the preferred below 80. Subsequent events have definitely shown that there was no basis whatever for the low prices reached by these stocks in 1920 and 1921 and the explanation undoubtedly is—hysterical selling by stockholders frightened by the mismanagement talk at a time when there was a very poor market for securities of all classes, which condition was helped along by a bear campaign in the stocks by professional operators. As the company has undoubtedly turned the corner with regard to earnings and is in excellent financial condition there is no question now as to the continuance of the preferred dividend. In every year with the exception of 1921 this stock has crossed par and the writer can see no good reason why it should not reach these figures again. At present price of about 90 the yield is 7.7% and the stock can be regarded as a very desirable business man's investment. While waiting for appreciation in principal a liberal return on the money invested is being received.

Should the present outlook for increased earnings be realized, a fairly early resumption of dividends on the common can be expected. Under anything like normal conditions American Smelting should be able to pay at least $4 a share on the common. At present prices of 46 the stock looks attractive.

U. S. SMELTING, REFINING & MINING CO.

Largest Silver Producer

United States Smelting, Refining & Mining Co. is a smaller edition of American Smelting & Refining Co., its total capitalization being about one-half of the latter. Its interests are about the same



as those of American Smelting although a somewhat larger proportion of its earnings comes from the production of silver. It also is interested in coal, its mines in Utah having a capacity of about 2,000,000 tons per annum. Production from these mines in the past several years has averaged about 1,000,000 tons per annum.

As a silver producer from its own mines this company is largest in the world, its output in a normal year being equal to about one-eighth of the world's production. Nearly all of the company's silver is obtained from its Real del Monte mines at Pachuca, State of Hidalgo, Mexico.

(*Continued on page 576*)

Answers to Inquiries

On Mining Securities

TONOPAH BELMONT DEVELOPMENT

Dividends Resumed

I hold 300 shares of Tonopah Belmont Development, for which I paid 2 7/16. Would you advise holding? I also have a few shares of Utah Copper bought at 93½.—K. A. A., Norristown, Pa.

Tonopah Belmont Development Co.'s balance sheet as of Dec. 31, 1920, showed capital outstanding of $1,500,000, par $1 per share. Net earnings for the June quarter of 1921 were $32,588 as against $89,060 for the same period in 1920. This company showed cash resources, as of that date, amounting to $266,739. Of course, last year all mining companies, if they operated at all, did so under very adverse conditions, and with the improved outlook for the coming year the stock may sell at a higher level than at present. We notice the company resumed dividends, paying 5 cents a share on the stock Jan. 2nd to holders of record Dec. 15th. Of course, this is a highly speculative mining proposition, but in view of the past history of the company, we would suggest holding the stock for a better price.

We notice you have a considerable loss in your small holdings of Utah Copper stock. However, the outlook for the copper mining companies is much more favorable than it has been for several years, and we consider that this improved situation will be reflected in higher prices for the shares of these companies later in the year. Our suggestion to you would be to average your holdings on any recession in order to be in a better position to get out on an advantageous basis in a higher market.

MAGMA COPPER

A Promising Property

I hold 25 shares of Magma Copper at 24. As a speculation and in view of better times and an upward tendency in mining shares, do you thing I would be warranted in holding for higher prices? What earnings and dividends can Magma pay in a normal market with copper at 16 to 18 cents a pound?—W. L. F., Iron Mountain, Mich.

We think very well of Magma Copper. This company by extensive development work has thoroughly proved that it has a very fine property and with copper metal on the upgrade it appears to us that the future is very bright for the company. It is impossible for us to estimate what the company can make on 16 or 18 cent copper as it has never been thoroughly demonstrated how low a cost producer the company will turn out to be. Costs so far have been high but the reason for this is that a lot of development work was charged into operating expenses. With the great part of this development work completed expert opinion is to the effect that Magma Copper will be one of the lowest cost producers.

Believe it advisable to hold your stock for higher prices.

YUKON GOLD

Developing Tin Deposits

I am interested in Yukon Gold. What is the outlook for this company?—D. M. E., Louisville, Ky.

Yukon Gold can be regarded only as a long pull speculation. As a gold mining company, it has probably seen its best days. The company has extensive mining properties in Yukon territory, California, Idaho, and in the Malay straits. It is doing considerable development of its tin deposits in the Malay Settlement and it is reported that $5,000,000 will probably be expended in developing these properties which would probably preclude any possibility of dividend for some time to come. Highly regarded interests are connected with the company and should the expenditure contemplated be justified by later operations, the stock may prove to be of considerable value. However, this is something for the future to decide.

ANACONDA COPPER

Outlook Encouraging

I have 8 shares of Anaconda bought at 66¾ per share. Is it best to sell or keep?—B. G. N., North Adams, Mass.

The Anaconda Copper Mining Company is one of the outstanding forces in the copper mining industry. During the past year conditions were such that it was almost impossible to do anything in the industry but the situation looks much more promising for the current year. With its acquisition of the American Brass Co., the largest consumers of copper in the country, and its resumption of mining operations, Anaconda is in position to secure full benefit of any favorable turns in the business, and while the stock may not reach the figure you paid for it soon, we certainly would not recommend disposing of your holdings at this time, as we believe the shares will sell at a higher level.

SENECA COPPER

Property Has Possibilities

I would appreciate a few facts from you in regard to Seneca Copper. Do you regard it as a pure stock market speculation or has the company a real property?—S. O. O., Decatur, Ill.

Seneca Copper has not as yet published any statement of earnings as it has only been producing for a short time. The property of the corporation consists of 1,864 acres located in Keweenaw County, Michigan. The property the corporation is developing has a blanket vein 16 feet thick underlying the entire property which can be mined to a depth of approximately ten thousand feet. In addition this company also owns the Oratilt Mining Company consisting of 500 acres of land in the same county. In September, 1920, it was estimated that there were 361,000 tons of shipping rock developed ready for mining operations. There appears to be little question but that this company has a very valuable copper property and we should say that the stock has fairly good speculative possibilities. It is estimated that the company has expended about $1,250,000 in development work. The stock has recently suffered quite a decline due to a quarrel among operators interested in its market. At present levels it appears to have good speculative possibilities.

RAY HERCULES

Worth Holding

I have a few shares of Ray Hercules Copper Co., bought much higher. Kindly advise whether I should accept the offer now held out and subscribe for shares in the new company.—H. S., Washington, D. C.

Under the proposed reorganization of the Ray Hercules Copper Co., the old stock is wiped out, but stockholders can subscribe to new stock at $1 a share, in the ratio of one new share for two old ones. The president of the company estimated that the ore reserve amounted to 3,960,000 tons averaging 2.42% of copper. With the improved outlook for the copper companies, it may be that the management will be able to reduce its cost of production to a basis where the company can make money on its output, and it may pay you to go along in the reorganization rather than to lose your past investment. The new issue will, of course, be speculative and the success of the company dependent entirely upon the ability of the management, with the aid of slighly better conditions than existed in the past few years, to make a favorable showing justifying higher prices for the stock.

UNITED VERDE EXTENSION

A Low Cost Producer

What do you think of United Verde Extension? Is it a good copper stock to hold for investment purposes?—R. H. W., Milwaukee, Wis.

United Verde Extension at the present time is the lowest cost producer in the country. It can make copper for 9c a pound. The reason for this is its very high grade ore. Of course, it is not known just how long the company will be able to work on as high grade ore as it has in the past, and for that reason we would hardly care to have the stock as a permanent investment. Under improved conditions in the copper industry, however, we believe it has an excellent chance of advancing from present levels. It is believed that the property still contains a large amount of high grade ore but this is not definitely determined.

(*Continued on page* 571)

What the Copper Surplus Shows

Effect of the Size of the Unsold Supply—Copper Shares and the Price of the Metal—The Outlook

By C. S. HARTLEIGH

THE copper surplus is one of the most important factors affecting the fortunes of the copper companies and the behavior of their shares in the market. This significance in connection with the market price of copper shares is perhaps more important than the casual observer is aware. Accurate estimates of the total unsold supply of copper that has been acting as a wet blanket on the market during the last three years are difficult to obtain, because the total supply is made up of refined copper together with a very large quantity in the form of alloys and scrap metal. The supply of refined metal is determined with reasonable accuracy from records of statistical agencies maintained by the larger producers, and from compilations of government agents who have access to such information and to the private records of individual companies. The quantity of copper in the form of alloys and available from scrap cannot be determined with assurance, although it may be estimated, and even a rough estimate is better than a failure to take it into account in attempting to arrive at the total supply.

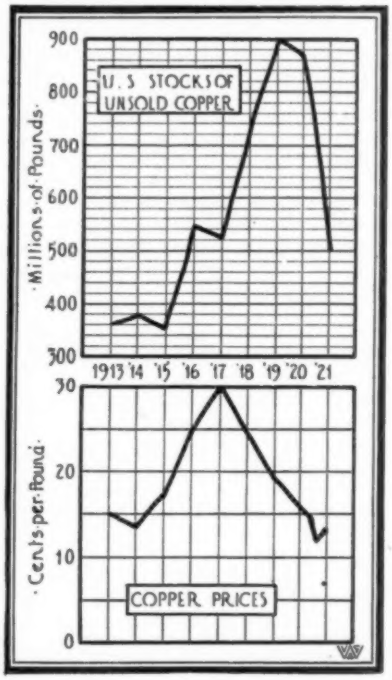
Two Trends Quite Similar

These figures with regard to refined copper alone, even without adjustment for alloys and scrap, suggest that they bear an important relationship to the average market price of copper and to the average trend of the price of copper shares. In the first place, the general trend of the price of copper shares is similar to that of the market price of the metal, but with the difference that the trend of share prices is a little more irregular, and the extreme changes are accentuated. Aside from the last main feature, curves representing the two trends would be quite similar in general form.

It is logical to suppose that the unsold supply of copper on hand at any time will have an influence on the market price of the metal, for whenever demand causes a rise in price, if there is a large surplus it will come on the market so long as the owners of the supply find it advantageous to accept the prevailing price. As this tendency is fundamental, it is reasonable to assume that as the unsold supply increases the market price will have a tendency to go down, and this assumption is generally correct. However,—and this is the most interesting feature of the inquiry—it is found that the change in market price of copper lags behind the variation in quantity of unsold metal to such an extent that the curve representing the latter is able to forecast the behavior of the former, and in so doing it exhibits most interesting and valuable barometric qualities with regard to copper stocks in general.

For example, during 1913, 1914 and 1915 the supply of refined copper was between 340,000,000 and 380,000,000 pounds. During the same period the average price of twenty copper shares fluctuated over a range of about five points, and without definite trend until the war demand began to run the price up early in 1915. During 1916 the production of copper increased and the available supply rose to about 550,000,000 pounds, while the price of copper went up rapidly and the average price of copper shares mounted to the highest point on record, which was reached late in the year, afterward falling off rapidly during the year 1917, which was the *year following the rise in the unsold metal supply. Note that if the supply was a barometer in this case, it foretold the behavior of the metal's price and the average price of the shares about one full year ahead.*

During 1917 the metal supply remained almost constant at about 550,000,000



pounds, or perhaps fell off slightly to about 520,000,000 pounds, and over a similar period, *one year later,* the price of copper was fairly steady and the average price of twenty copper shares did not vary more than two points, although it had fallen through twenty-four points during 1917.

The Supply Increases

From the beginning of 1918 to the end of 1919 the metal supply rose to 900,000,000 pounds, and over a period of about the same length beginning with 1919, the price of the metal and the average price of twenty shares fell off, the latter average falling through another twenty-four points.

Again, during 1920 the supply was steady, or it eased off only slightly to about 875,000,000 pounds of refined copper, and during a period of similar length, but just one year later, the average copper share price was reasonably steady, in fact most of the copper shares were "dragging along the bottom." By the end of September, 1921, the supply of refined copper had fallen off to about 680,000,000 pounds, and it was about the beginning of September that the copper shares began making the strongest advance they have attempted since they touched the bottom.

This unsold supply of refined copper did not include copper in the form of alloys, and scrap metals, which might have brought the total supply for all purposes up to as high as 1,000,000,000 pounds. Stocks of copper in European countries were difficult to estimate, and various unconfirmed reports placed the supply anywhere from 1,000,000,000 to 2,500,000,000 pounds, in the form of brass, shell bands and other war material scrap. However, stocks in England were pretty well liquidated and the bulk of the unsold supply was on the continent, chiefly in Germany and France. European demand for brass and casting copper was satisfied largely by these unliquidated supplies of war materials. On the other hand, copper required for wire drawing and rolling must be virgin metal, and although part of this was supplied by copper in the form of shell bands, the balance came from the United States.

Germany's demand was supplied partly by copper from her own mines, but this metal was not as pure as that produced in the United States, and consequently did not satisfy the demand of wire drawers and rolling mills. It is apparent that European stocks were over-estimated, and that a general view of the situation based thereon would have been unduly pessimistic.

Reduction in Supply

If unsold stocks of refined copper in the United States were 700,000,000 pounds near the end of September, and if shipments during October were 115,000,000 pounds, in November 130,000,000 pounds, and in December about 150,000,000 pounds, it is apparent that the unsold supply has been reduced to approximately the normal unsold supply in this country, which is usually in the neighborhood of 300,000,000 or 350,000,000 pounds. If these figures are correct, the copper industry is very near a normal condition so far as unsold supplies of metal are concerned.

In connection with the effect of unsold supply, it must be borne in mind that it requires about three months for the copper which has been produced to pass through the refineries and be available on the market, and that any marked increase in demand at this time would actually begin to bring about a condition making for a temporary shortage in the metal within the next few months. In view of these facts it is no wonder that many of the big producers are laying plans to resume operations within the next two or three

(*Continued on page* 585)

Readers' Round Table

Methods of Pool Operators

Editor, THE MAGAZINE OF WALL STREET:

Sir: I have read with a great deal of interest the series you ran recently on "Common Sense in Speculating," as well as the subsequent series on "Intimate Talks With Readers." There is one side to your discussion of speculation which I have never seen anywhere. My observations of the market lead me to feel that certain groups of operators are accustomed to dealing in two or three stocks and often it is possible to detect their distribution in one stock while they are advancing the other; likewise that it is possible at times to ascertain that a certain group of operators are no longer "bullish" when they withdrew their support from one of these stocks, thus making it rather dangerous to buy into one of the other stocks they manipulate. Am I right or wrong? Are there any books which discuss this question intelligently? For example, I have felt that probably U. S. Rubber and American International were being handled by the same groups of operators. Thanking you for any information you can give me along these lines.—J. W. K.

You are quite right in saying that frequently certain groups of operators in the stock market dealing in several stocks use the strength in one of their favorites to unload in the others. This is a common method of procedure and has been done time and again. Of course, distribution frequently takes place over a long period of time, and while it is possible to detect it in one stock, it does not necessarily mean that the upward trend in the others is over.

We do not know of any books that take this subject up specifically but a good study of the stock market, which includes the matter now under discussion, is "Studies in Tape Reading," by Rollo Tape, and "Practical Points on Stock Trading," by Scribner Browne.

The only connection between U. S. Rubber and American International of which we are aware is the holding of a fairly large block of the former by the latter. Naturally a sharp advance or decline in U. S. Rubber is reflected by a similar movement in American International. We would not say, however, that this is the reason for believing that these two issues are under the same manipulative influences.—EDITOR.

More About Bucket Shops

Editor, THE MAGAZINE OF WALL STREET:

Sir: I have read with much interest in the January 7 issue of your publication the article by Mr. Richard D. Wyckoff on the "Bucket Shop Evil."

Permit me to suggest that as long as the United States mail is open to bucket shops and like promoters the remedy will, like the many "blue-sky" laws, be inoperative.

A national law governing brokerage houses, where the mails are used, will control the situation and give those who secure a national license a standing and their customers some security. The decisions of the courts in considering fraudulent use of the mails have ruled that *any* letter used in connection therewith brings the case within the law.—F. E. McM.

In connection with the above, the writer has attached a list of concrete suggestions governing the licensing of brokers under Federal regulation.

Space does not permit the enumeration of these suggestions. It is, however, a question without at all disputing the desirability of rigorous supervision and licensing of brokers, whether the Federal Government should be delegated with such an onerous task as that suggested in the above. We are not all agreed that the Federal Government should extend its supervisory activities into too many phases of business. This seems, in this case, more a matter of state regulation than Federal control. We are heartily in favor of severe regulation of brokerage activities by the respective states. A general blanket law covering illegal operations such as those entered into by bucket-shops and the like—a law with teeth in it—would cover requirements without at the same time involving the Government in what would amount to an extension of activities into the business life of the nation. To the latter many thinking people are opposed.—EDITOR.

The Importance of the Farmer

Editor, THE MAGAZINE OF WALL STREET:

Sir: The "spirit moves me" after two hours of careful reading of your December 10 issue, to make the following sincere comments concerning THE MAGAZINE OF WALL STREET.

I hope you will not consider my remarks as purely a "snap" judgment or expressed for the purpose of any special favors in any way.

As an agricultural research worker with a large mail order house, it is a part of my duty to digest and summarize all trade, financial, agricultural and business data which is found in more than 75 magazines and periodicals, and I wish to say your magazine is certainly in a class by itself for its presentation of good, sound, plainly written and practical information concerning investments, finance and the business outlook in general.

I have been a regular reader for nearly two years and it is no idle "bunk" to tell you or anyone else that each issue becomes more valuable than the last.

As I look back over the ten years since leaving college, I wonder if all men are as foolish as myself, wasting five or ten years of their career in getting started on a definite "income building program."

By watching and studying your investment suggestions during the last two years, I have become very enthusiastic about systematic saving and have been able to invest more in good sound securities and bonds during that time than all the previous eight years put together.

It would be a fine thing if every man could be presented with a subscription to THE MAGAZINE OF WALL STREET as a commencement present when he grabs his "sheepskin" from high school or college.

Perhaps because of the fact that I have been farm born and reared and have given many years of study to scientific agriculture and the development of agricultural organizations, I am a bit more partial and sympathetic to the farmers of the nation and their problems. At any rate, I am impressed with the fact that more and more Wall Street and other big business interests of the country need more educational data concerning the fundamental basic industry of agriculture and its relation to their industries.

The big concerns that really know and understand the agricultural situation as it exists today are now experiencing far less difficulty "in finding themselves" and in making the necessary adjustments in their business to fit the new conditions.

I was very much impressed with the recent articles in your MAGAZINE concerning the Farm Co-operative Movement, as I did not think they showed a very broad or comprehensive knowledge on the part of the writer of the rise and fall of our various farm organizations. The movement has a more powerful bearing at present than most of the writers can conceive.

I am impressed with the fact that during the next few years the big business institutions are going to have to give more time to the larger agricultural problems of the country and to consider more and more their relationship to the agricultural industry.

I believe the publications which have a strong department which is given over to sound, practical and authentic agricultural information which will show the statistics, the trend of prices and the progress of farm organizations will find that in general the subscribers will show a keen appreciation. Of course, most of this information is given in various farm publications of the country, but largely in farmer's terms and not in the language of the average Wall Street or other business man. This kind of department in a publication must mean more than simply a statistical or clipping-service department. It must mean a department, live, up-to-date, snappy and with an ability to present true statements of the real status of American farm life.—A .D. F.

There is absolutely no doubt that the self-consciousness of the farmer is beginning more and more to impress Big Business and the Government. The farmer, for practically the first time in his history, is beginning to make his voice felt and his opinions respected.

With regard to your suggestion as to a new department, it is to be feared that at the present time, this would not prove feasible under the pressure of demand from so many other sources. Briefly, the

(*Continued on page* 584)

Intimate Talks With Readers

Selling or Buying at Full Figures—The Meaning of Orders and How to Place Them—Avoid Dealing "At the Open"

SELLING OR BUYING AT FULL FIGURES

ALTHOUGH we have always advocated that buying and selling be done "at the market" in active listed stocks that rise or fall in terms of eighths and quarters, it sometimes proves more satisfactory to set a price. It is with reference to the latter that we believe a few suggestions are not out of place.

The public as a whole thinks in terms of full figures, and as a general rule, standing orders (the latter means orders that are good until countermanded) are always present in practically every popular stock at prices up and down, both on the buying and selling price. We have not been privileged to examine the specialist's order book in U. S. Steel, but we have an idea that at some time or other will be found all sorts of orders to buy or sell, on a scale up and down. The majority of the public's orders would probably be at "full figures," thus: "Buy U. S. Steel G. T. C. 100 at 81; 100 at 80; 500 at 79; 300 at 78; 1,000 at 77. Sell U. S. Steel G. T. C. 200 at 84; 100 at 85; 300 at 86; 500 at 87; 100 at 88." These orders are imaginary, of course, as the prices and quantities are probably very different, but simple illustrations are helpful.

Now suppose you give an order to your broker today to buy 100 Steel at 85. What happens? And why do you go through the exasperating experience of seeing transaction after transaction come along, either over the tape or in the papers, and your purchase not reported. If you have watched the tape you have probably seen this:

X X X

85⅛ 85 2.85¼ 85¼ 85⅛ 2.85

Of course, other transactions come between, but you are only watching the Xs and the 85s, and each failure to report your purchase annoys you more.

Henceforth, cease to blame your broker. It is your fault, because a market order might have drawn your stock out of the 85⅛ lots, and it would be just your bad luck if 85 were the low for the move, and the stock then rallied to 90. It should be remembered that it is the duty of the specialist to observe the rule, "First come first served," and the best bids are filled first. The specialist proceeds to supply all the 85¼ stock called for, then the 85⅛, and only then does he turn his attention to the "85 flat" orders. The first man to bid 85 is placed top of the list, then if Mr. Morgan himself wants to buy 100 Steel at 85 he must stand in line; and he would only get the second 100 sold. If, in future, you will imagine yourself standing in line and awaiting your turn at the full figures, you can well understand that you always have a crowd in front of you both sides of the market.

However, you give yourself a great advantage by avoiding these round figures, if it is really your aim to squeeze the last half point out of every speculation or investment. If you have decided to sell Sugar at 61½, let "them" have it at 61¼ and you are more likely to be in front of the line, and have your choice of the customers available. If you want to buy some cheap Steel, pay ¼ above your selected full figure, and you are more likely to get it. If you are dealing in odd lots, add an eighth or quarter to the disadvantage; and if your guess as to price is right, it will be doubly so by avoiding the crowd.

In a smaller way, we find that the public tendency to get in and out on the half figures is also predominant, so that a sale is often more readily made at ⅜ than ½. There are no rules or precise laws on this subject, but a little observation will convince anyone that the law of averages will work out favorably toward the operator who is generous to the world at large on both sides of the market.

THE MEANING OF ORDERS AND HOW TO PLACE THEM

WHEN you give an order to buy a stock "at the market," and this order reaches your broker before 10 a. m., he should be able to buy your stock within one hour, if it happens to be any listed, active, common stock. Practically the entire active list is traded in within the first hour; and if anyone wishes to become familiar with the active list, he need only glance, for a few days, through the list of stocks traded in during the first hour.

A detailed list of such transactions is published, and most New York Stock Exchange houses have the list. As a matter of courtesy, and for your information, a member firm might oblige you by sending you the list for three or four days. By a casual study of the list you will learn that Steel, Bethlehem B, Republic Steel, Reading, Union Pacific, Southern Pacific, Crucible, Mexican Petroleum, Pan American, Central Leather, Smelters, Anaconda, Sugar, and a few others, are among the "active list."

If your order is placed in a stock like Pittsburgh Coal, National Lead, National Enamelling, California Packing, and perhaps 100 other inactive common and preferred stocks, the chances are that there may not be a single sale during the first hour, and sometimes not even during the day.

An order to buy or sell "at the market" is an order to do business, if it can be done, on the day of receipt of the order. At 3 p. m. each day, or at noon Saturday, such orders are automatically cancelled by your broker's representative on the floor of the Stock Exchange. In other words, unless otherwise specified in distinct language, every order is considered "good for that day only." If, therefore, you instruct your broker by telegram despatched at 2 p. m. to buy 100 Steel at the market, he will execute his order if your telegram reaches him at 2.55 p. m., and he can telephone it "to the floor," if Steel changes hands at all. If the telegram is received at 3 p. m. or later, an order to "buy at the market" cannot be carried over until the next day; and any broker who does it, is merely taking a chance. An order to sell is subject to the same understanding.

A safe precaution is to use the "good till countermanded" order otherwise known as "G. T. C." Some people call it "good till cancelled," which means the same thing. Such an order stays on the books until it is automatically cancelled by *execution* or customer's instructions. It has no time limit, but as a matter of form, and to prevent the accumulation of "stale orders"—also to act as a reminder to the customer (who has a perfect right to change his mind) —brokerage houses mail a reminder of such standing or open orders at regular intervals of from 15 to 30 days.

If you are located at a distance from your broker, and your clocks do not agree, great differences are possible in the confusion of "daylight saving," Eastern Standard time, and the natural difference due to the earth's circumference. So, it will be wise to instruct your broker now, for all time, that all your orders are to be read "G. T. C." unless specifically altered in your orders or telegrams. This will save expense, misunderstanding and annoyance.

Users of the "G. T. C." orders should keep a careful note of them, because

(*Continued on page 573*)

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale Feb. 9, 1922	Div'd $ per Share
RAILS:	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅝	90¼	111¼	75	104	76	100	91¾	96⅜	6
Do. Pfd.	106⅜	96	102¼	75	89	72	88½	84½	‡86	5
Atlantic Coast Line	148½	102¼	126	79⅞	107	77	90⅝	83	‡88	7
Baltimore & Ohio	122½	90⅝	96	88¼	55¼	27⅝	36¼	33½	35⅜	..
Do. Pfd.	96	77¼	80	48¼	59½	38½	55⅞	52½	53½	4
Canadian Pacific	283	165	220¼	126	170⅞	101	126½	119½	126⅜	10
Chesapeake & Ohio	92	51½	71	35⅝	70⅜	46	58⅝	54	57⅞	4
Chicago Great Western	36⅞	1¼	17½	6	14½	6¼	7	5½	7	..
Do. Pfd.	64½	28	47½	17½	33⅜	14	16⅞	14½	16⅞	..
C. M. & St. Paul	165½	96⅜	107½	35	52⅜	17¼	20⅜	16½	20½	..
Do. Pfd.	181	130½	143	62½	76	29½	36	29	34⅜	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	67⅜	59	67⅝	5
Chicago R. I. & Pacific	..	..	45⅜	16	41	22⅝	34¼	30⅜	33⅞	..
Do. 7% Pfd.	..	..	94⅜	44	89⅜	64	88⅝	83½	‡87½	7
Do. 6% Pfd.	..	..	80	35⅜	77	54	75	70½	75	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅝	21	61	31⅜	56	54	‡54½	..
Delaware & Hudson	200	147½	159½	87	116	83¼	111¼	106⅜	‡111½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	119⅜	111	111⅜	6
Erie	61¼	33½	59½	18⅜	21⅜	9½	11¼	7	10⅞	..
Do. 1st Pfd.	49⅜	26¼	54⅜	15½	33	15	16½	11⅛	16⅛	..
Do. 2nd Pfd.	39½	19½	45⅝	13½	23⅜	10	11¼	7⅞	11	..
Great Northern Pfd.	157⅞	115½	134⅜	79¼	100⅝	60	74½	70¼	74⅜	7
Illinois Central	162½	102¾	115	85⅜	104	80⅞	102¼	97½	‡101	7
Kansas City Southern	50¼	21⅜	35½	13½	28⅞	13	24⅜	22	24	..
Do. Pfd.	75½	56	65½	40	57	40	55½	52⅜	‡54¼	4
Lehigh Valley	121¼	62½	87½	50⅜	60⅜	39⅜	60⅜	56⅝	59	3½
Louisville & Nashville	170	121	141⅞	103	122¾	94	115⅜	108	‡113	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	5⅛	8½	5	8½	..
Mo., Kansas & Texas	51⅛	17½	24	3⅛	16⅜	⅜	2	⅜	2	..
Do. Pfd.	78¼	46	60	6½	25½	2	3	1⅛	3	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	19	16	18⅞	..
Do. Pfd.	..	..	64⅞	37½	58⅜	33⅜	49⅜	46½	48⅜	..
N. Y. Central	147⅜	80⅜	114¼	62½	84¼	64¼	76½	72⅜	76¼	5
N. Y., Chicago & St. Louis	109⅜	90	90⅜	55	65	23⅜	61	50	61	6
N. Y., N. H. & Hartford	174⅜	65⅝	89	21½	40⅞	12	18⅞	12⅜	17⅞	..
N. Y., Ont. & W.	55⅜	25½	35	17	27⅜	16	22⅜	19⅜	‡21	2
Norfolk & Western	119¼	84¼	147½	92⅝	112½	84¼	101⅜	96¼	100½	7
Northern Pacific	159¼	101⅜	118⅞	75	99⅞	61¼	79¼	74¼	78⅞	7
Pennsylvania	75⅝	53	61½	40¼	48½	32¼	34⅞	33¼	34⅝	2
Pere Marquette	*36½	*15	38½	9½	33½	12½	21⅞	19	22¼	..
Pitts. & W. Va.	..	..	40⅜	17⅜	44⅜	21½	25⅜	23½	24⅞	..
Reading	89⅝	59	115½	60½	108	60⅜	75	71½	73½	4
Do. 1st Pfd.	46⅜	41¼	46	34	61	32⅞	48¼	44¼	46	2
Do. 2nd Pfd.	58⅜	42	52	33⅜	65½	33¼	51⅜	46	49	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10⅜	23⅞	20⅝	23⅝	..
St. Louis Southwestern	40⅜	18½	32¼	11	40	10⅞	25	20¼	24⅜	..
Do. Pfd.	82⅜	47½	65½	28	49⅜	20½	38⅜	32⅜	38	..
Southern Pacific	139½	83	110	75⅜	118½	67½	82⅞	78½	82½	6
Southern Ry.	34	18	36⅜	12½	33¼	17⅜	19⅞	17⅛	18⅝	..
Do. Pfd.	86⅞	42	85¼	42	72½	42	54	43	52	..
Texas Pacific	40½	10¼	29½	6⅛	70½	14	31⅝	24⅝	31½	..
Union Pacific	219	137⅜	164⅜	101¼	138½	110	130⅝	125	129½	10
Do. Pfd.	118½	79⅜	86	69	74⅜	61¼	74½	71¼	73	4
Wabash	*27⅞	*2	17½	7	13⅜	6⅜	7¼	6	7½	..
Do. Pfd. A	*61⅜	*6⅛	60½	30⅞	38	17	21⅜	19¼	21½	..
Do. Pfd. B	..	..	32⅞	18	25½	12½	13⅜	12¼	13⅜	..
Western Maryland	*56	*40	23	9¼	15⅝	8⅜	9⅞	8¼	8⅞	..
Western Pacific	..	..	25½	11	40	15	17¼	13⅜	16	..
Do. Pfd.	..	..	64	35	78	51½	54	51⅝	52½	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6⅛	7⅜	6	7½	..
INDUSTRIALS:										
Allied Chem.	..	..	..	..	63⅜	34	59½	55½	58⅜	4
Do. Pfd.	..	..	..	..	103¾	83	105	101	‡102½	7
Allis Chalmers	10	7⅞	49½	6	53⅞	26½	46¼	37⅜	45¼	4
Do. Pfd.	43	40	92	32½	97	67¼	92½	86½	‡91	7
Am. Agr. Chem.	63⅜	33½	106	47⅜	113⅜	26½	34⅜	29⅜	33⅝	..
Do. Pfd.	105	90	103½	89⅝	103	51	59½	55¾	‡56½	..
Am. Beet Sugar	77	19⅜	108½	19	103⅜	24½	37¼	31⅜	36	..
Am. Bosch Mag.	..	..	..	..	143⅞	29½	40⅜	31¼	‡36½	..
Am. Can.	47⅜	6⅞	68½	19¼	68⅜	21⅜	38¼	32½	37¼	..
Do. Pfd.	129¼	98	114½	80	107⅝	72	97⅜	93¼	96	7
Am. Car & Fdy.	76¼	36½	98	40	151¼	84½	148	141	147¼	12
Do. Pfd.	124¾	107½	119½	100	119	105⅜	118¼	115½	‡146⅜	7
Am. Cotton Oil	79½	33½	64	21	67½	15½	22½	19½	20	..
Do. Pfd.	107½	91	102¼	78	93	35½	44⅜	41	42	..
Am. Drug Syn.	..	..	..	..	15½	4	6½	4½	6½	..
Am. Hide & L.	10	3	22½	2½	43½	5	15⅜	12	14	..
Do. Pfd.	51⅞	15½	94⅞	10	142⅜	35	67½	58	65⅜	..
Am. Ice	..	..	49	8⅝	83½	37	99	78	94⅞	7
Am. International	..	..	62⅜	12	132¼	21¼	43⅜	38½	42⅞	..
Am. Linseed	20	6⅞	47⅜	20	95	17¼	33¼	29⅜	‡31½	..
Am. Loco.	74⅜	19	98¼	46⅝	117½	58	110¼	102	108¼	6
Do. Pfd.	122	75	109	93	115	96¼	115	112	‡113	7
Am. Safety Razor	..	..	..	..	22	3½	4⅝	3⅝	4	..
Am. Ship & Com.	..	..	..	..	47¼	4⅜	9⅞	5½	8⅝	..
Am. Smelt. & Ref.	105½	50⅝	123⅜	50¼	89⅜	29¼	48	43⅝	45½	..
Do. Pfd.	116⅜	98¼	118½	97	109⅝	63¼	91½	86½	‡91	7
Am. Steel Fdys.	74½	24½	95	44	50	18	33⅜	30⅜	32⅞	3
Do. Pfd.	..	..	..	..	96½	78	96½	92¼	‡91	7
Am. Sugar	136⅜	99⅞	126⅜	89½	148⅜	47⅝	68⅜	54½	67½	..
Do. Pfd.	133½	110	128½	106	119	67½	95	84	95	7
Am. Sumatra Tob.	..	..	145⅜	15	120½	28½	35⅜	26½	26⅜	..
Do. Pfd.	..	..	103	75	105	64⅜	71	52½	‡54	7
Am. Tel. & Tel.	153⅜	101	134½	90⅜	119¼	92½	118½	114½	118	9
Am. Tobacco	*530	200	256	123	314½	104½	137⅞	129½	137⅜	12
Do. B.	..	..	..	..	210	100½	134⅜	126	‡134¼	12
Am. Woolen	40⅝	15	60⅞	12	169½	55½	84½	78½	83⅜	7
Do. Pfd.	107⅜	74	102	72½	110⅜	88½	105	102½	‡104¼	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	50½	47	47⅝	..
At. Gulf & W. I.	13	5	147⅜	4½	192⅜	18	31½	24⅜	26½	..
Do. Pfd.	32	10	73⅜	9⅞	76½	15⅜	23	19	20½	..
Baldwin Loco.	60⅜	36½	154½	26⅜	156½	62½	104	92⅜	108⅜	7
Do. Pfd.	107½	100¼	114	90	111⅞	92	106⅜	104	‡105	7
Bethle. Steel B.	*51⅜	*18⅜	155½	59⅜	112	41½	63	55½	58¼	5
Do. 7% Pfd.	80	47	186	68	108	87	93	91½	93	7
Do. 8% Pfd.	..	..	110½	92½	116	90	109	104	108½	8
Calif. Packing	..	..	50	30	87½	48¼	71⅝	68	71⅜	6
Calif. Petro.	72½	16	42⅝	8	56⅞	15⅜	49⅜	43¼	48⅞	..

Active Stocks' Price Range

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale Feb. 9, 1922	Div'd $ per Share
	High	Low	High	Low	High	Low	High	Low		
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	29¼	88	63	87	83	‡85¾	7
Central Leather	51¾	16⅛	123	25⅝	116¼	22⅛	33⅝	29⅜	32¾	..
Do. Pfd.	111	80	117½	94⅝	114	57⅛	67⅞	63⅜	66½	..
Cerro de Pasco	..	..	55	25	67½	23	35⅝	32¾	33⅛	..
Chandler Mot.	..	..	109⅞	56	141½	38¼	65¼	47⅞	64⅜	6
Chile Copper	..	..	39¼	11⅛	29¼	7⅛	18¼	15⅛	16⅜	..
Chino Copper	50⅝	6	74	31⅝	50⅞	16⅝	28⅜	26¼	26¼	..
Coca Cola	..	..	..	..	43⅝	18	46¼	41	45¾	4
Colum. Gas & E	..	..	64⅛	14¼	69	39¼	70	64⅝	69¾	6
Columbia Graph.	..	..	*166	*97	75¼	2⅝	2⅞	1⅛	1⅛	..
Consol. Cigar	..	..	..	..	80	12½	30½	21	20½	..
Consol. Gas	165¼	114½	150¼	112½	106⅜	71⅜	94½	85	89½	7
Corn Prod.	26½	7⅜	50½	7	105¼	46	105¼	91¼	103¾	6
Do. Pfd.	98½	61	113½	58¼	112	96	115½	111	114¼	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	67¼	57¼	62⅝	4
Cuba Cane Sugar	..	..	76⅝	24⅞	59⅜	5⅝	10⅜	8⅛	9⅞	..
Cuban Am. Sugar	*58	*33	*273	*38	*605	10⅞	21	14⅛	18⅞	..
Fisk Rubber	..	..	..	..	55	8⅝	13	11¼	12¾	..
Freeport Tex.	..	..	70½	25⅜	64⅝	9½	15	12¼	13⅜	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	32½	65⅜	55⅛	61¼	..
Gen'l Electric	168½	129¾	187¼	118	176	109½	148	136	146	8
Gen'l Motors	*51⅜	*25	*850	*74½	42	9⅝	10	8⅛	9	..
Do. 6% Pfd.	..	..	99½	72⅜	95	65	73	69	‡71⅜	6
Do. 6% Deb.	..	..	..	..	94⅜	60	73	69	70½	6
Do. 7% Deb.	..	..	..	..	94	69	85	79½	‡80½	7
Goodrich	86½	15½	80¼	19⅝	93⅜	26⅝	38⅜	34½	37½	..
Do. Pfd.	109¾	73⅜	116⅜	79⅞	109½	62½	87	80½	85	7
Gt. Nor. Ore.	88½	25½	50⅜	22½	52¾	24⅞	36½	31⅜	35⅛	4
Houston Oil	25½	8¼	86	10	116¼	40½	77½	70	‡74¾	..
Hupp Motors	..	..	11⅝	2⅛	23¼	4⅝	15	10	14⅜	1
Inspiration	21⅝	13⅞	74⅜	14¼	68⅝	28	41	38	38	..
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67⅞	7⅛	16⅜	13¼	15½	..
Do. Pfd.	27⅝	12⅛	125⅝	8	128¼	36	71⅞	62¼	70⅜	6
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	12⅞	11¼	12⅛	..
Inter. Paper	19⅜	6½	75½	9½	91⅜	30½	52	46½	49	..
Invincible Oil	..	..	..	..	47¼	5⅛	15⅞	12⅞	14⅜	..
Island Oil	..	..	..	..	7¼	2	3	2⅛	2¼	..
Kelly Springfield	..	..	85¼	36⅝	164	25⅛	43½	34¼	38	..
Do. Pfd	..	..	101	72	110¼	70¼	95½	90½	95½	8
Kennecott	..	..	64¼	25	43	14⅝	30¼	25½	27½	..
Keystone Tire	..	..	46½	11	126⅜	8⅛	18½	15½	16⅛	..
Lackawanna Steel	55½	28	107	26½	107⅞	32	50	44	47¼	..
Loews, Inc.	..	..	..	..	38⅝	10	13⅜	11	11⅜	..
Loft, Inc.	..	..	..	..	28	7⅜	11⅜	9	10⅜	1
Mexican Pet.	90½	41⅜	129⅝	46½	264	84½	117⅝	106¾	116⅜	12
Miami Copper	30¼	12¾	49⅜	16½	32¾	14½	28	26	26½	2
Middle States Oil	..	..	..	..	71⅜	10	13⅜	11⅝	12¼	1.20
Midvale Steel	..	..	98½	39½	62½	22	32⅜	27⅛	31¼	..
Nat'l Lead	91	42½	74⅜	44	94½	63½	94½	85	88½	6
Nevada Copper	30	18	84⅛	10¼	21⅞	8	15½	14	14⅜	..
N. Y. Air Brake	98	45	186	55⅞	145⅜	47½	62½	57	59½	..
N. Y. Dock	40¼	8	27	9¼	70⅜	16¼	33¾	28¾	‡28¾	2½
North American	*87⅞	*60	*81	*33⅝	46	32¼	57⅛	44	57⅛	3
Do. Pfd.	..	..	..	..	41½	31⅞	41⅝	39½	41	3
Pacific Oil	..	..	..	..	50⅜	27½	47⅜	44⅜	46½	3
Pan. Amer. Pet.	..	..	70⅝	35	140½	38½	53½	48¼	53¼	6
Do. B	..	..	..	..	111⅜	34½	48	44	47	6
Philadelphia Co.	59½	37	48⅞	21½	48	26½	34⅜	31	33⅜	3
Phillips Pet.	..	..	..	..	44½	15	33	28¼	‡29	2
Pierce Arrow	..	..	65	25	99	9¼	17¼	13½	15	..
Do. Pfd.	..	..	109	88	111	21	36⅝	27⅞	30½	..
Pittsburgh Coal	*29⅜	*10	58⅝	37½	74⅜	45	63¼	55⅞	62½	5
Pressed Steel Car	56	18½	88¼	17¼	113⅜	48	67	63	66	..
Do. Pfd.	112	88½	109½	69	106	83	93	91¼	‡92	7
Punta Aleg. Sug	..	..	51	29	120	24¾	39¾	30¾	37¾	..
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	38⅝	33½	34⅜	2
Ry Steel Spg.	54¼	22¼	78½	19	107½	67	100½	94	‡96⅝	8
Do. Pfd.	113⅜	90¼	105½	75	112	92½	112	108¼	112	7
Ray Cons. Cop.	27½	7½	37	15	27½	10	15⅜	14⅛	14½	..
Replogle Steel	..	..	..	..	93½	18	41	25½	31½	..
Republic I. & S.	49½	15⅝	96	18	145	41⅝	56½	49⅜	53⅜	..
Do. Pfd.	111½	64½	112⅝	72	106⅜	75½	87½	83	‡83½	7
Republic Motors	..	..	77	81	74½	5	8½	5	5	..
Royal Dutch N. Y.	..	..	96	56	123⅜	40⅝	52⅜	47¼	50¼	5.20
Shell T. & T.	..	..	..	..	90½	30⅞	38½	35⅝	38	74
Sinclair Con. Oil	..	..	67½	25¼	64¼	16⅛	21⅞	18¾	19⅝	..
Sloss Shef. Steel	94⅝	23	93¼	19½	89	32½	44	36	40	..
Stand Oil N. J.	*448	*322	*800	*355	212	124½	188	169¼	176	5
Do. Pfd.	..	..	..	..	114½	100½	115¾	113⅜	115¼	7
Stromberg Carb.	..	..	45¼	21	118¼	22½	43⅜	35¼	39½	..
Studebaker	49½	15⅝	195	20	151	37⅝	96⅞	79⅛	96⅜	7
Do. Pfd.	98½	64½	119½	70	104½	76	106	103	‡104	7
Superior Steel	..	..	96	30¼	60	26	31½	26	‡29⅜	..
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	11¼	9⅝	10⅜	..
Texas Co.	144	74½	243	112	57⅝	29	46	42¼	44⅞	3
Tex. Pac. C. & O.	..	..	..	..	195	15⅝	26⅝	23	25	1
Tobacco Prod.	145	100	82⅝	25	115	45	65½	61⅛	63¼	6
Transcontl. Oil	..	..	..	..	62⅝	5⅝	11	9⅝	9⅞	..
United Fruit	208½	126½	178	105	224⅞	95¾	135½	119¾	134	8
Un. Retail Stores	..	..	..	..	119¼	45¼	56⅜	50¼	‡54⅜	6
U. S. Food Prod.	41⅝	9⅜	64⅜	5⅛	91⅜	8½	10½	2⅝	3	..
U. S. Ind. Alco.	57½	24	171½	15	167	35¼	45½	37	44½	..
U. S. Rubber	69½	27	80½	44	143⅜	40½	56⅛	51⅝	54¼	..
Do. Pfd.	123½	98	115¼	91	119½	74	101	90	99¼	8
U. S. Smelt & R.	59	30⅜	81½	20	78½	26	37¼	33⅜	‡33¾	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	89⅜	82	89⅝	5
Do. Pfd	131	102½	123	102	117½	104¼	118	114¼	116¼	7
Utah Copper	67½	38	130	48½	97½	41½	65½	60⅝	61¼	2
Vanadium	..	..	..	..	97	25⅛	37½	30¼	35¼	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	20⅜	31⅜	27½	‡30	..
Do Pfd.	129½	62	115⅜	80	115⅞	57⅜	70	67	67⅜	..
Western Union	88½	56	105½	53⅝	94	76	92½	89	‡89⅜	7
Westinghouse Mfg.	46	24⅜	74⅞	32	59⅞	38⅞	53¾	49⅛	53½	4
White Motors	..	..	60	30	86	29½	44	35½	38	4
Willys Overl'd	*75	*50	*325	15	40¼	4⅝	5⅞	5	5¼	..
Wilson Co.	..	..	84⅛	42	104⅞	27⅛	34½	27½	33½	..
Woolworth	117⅞	76½	151	81½	139⅜	100	152⅞	137	151½	8

*Old stock. ‡Bid price given where no sales made.

ANSWERS TO INQUIRIES

(Continued from page 546)

for the stock. It is rather anticipated, however, that the liquidation of the company will take quite a few years and that at present prices of around 82 it would appear to us that this stock is high enough, would be inclined to favor the switch of 100 shares at least into some other security with better immediate possibilities. A suggestion is California Petroleum preferred, selling around 85. This company is in very strong financial condition and earnings have been excellent. Believe that this stock should gradually work up to around par as it becomes more seasoned.

GOOD SPECULATIONS

A Diversified List

I wish to purchase a group of stocks and bonds that have good possibilities of appreciating in value if held for the long pull. I wish to include some fairly speculative issues of low price that offer the possibility of a large profit, being willing to assume some risk. I have considered the following: Cuban American Sugar, Montgomery Ward, Otis Steel, Consolidated Textile, New Haven consol. 6s., American Ship and Commerce. —S. G. W., Chicago, Ill.

Of the list of securities you ask our opinion on, we would say that Consolidated Textile and American Ship & Commerce appear to have fairly good speculative possibilities at present levels, but are not inclined to favor the others. The following we believe to have good possibilities at present levels:

Stewart-Warner Speedometer, selling at 24 and paying $2. American Can, selling at 33. Allis-Chalmers 7% preferred, price 89. Packard Motor 8s, price 100. Chile Copper 6s. price 85. American Smelting & Refining 7% preferred, 88.

STEWART-WARNER SPEEDOMETER

Strong Financial Condition

I would be glad to have you advise me what you consider a good, low priced speculative stock listed on the New York Stock Exchange. I prefer one that is paying dividends and gives a good return on the investment. I am a new reader and happened to buy a copy of your magazine in which Martin Parry was recommended in answer to inquiries. However, I was too late to buy this before it went up.—M. A. J., Philadelphia, Pa.

Stewart-Warner Speedometer for the nine months ended September 30, 1921, reported net income of $755,768, equal to $1.59 per share on its stock. This compares with $3.74 for the same period of 1920. The 1921 earnings, however, were after deducting a loss on inventories of $500,000. If earnings in the last three months of 1921 should show about the same rate, the company will succeed in earning its $2 dividend in 1921 with a slight margin to spare. The balance sheet of the company as of September 30, 1921, showed it to be in excellent financial condition; current assets totaling about $6,500,000, as against current liabilities of only $470,000. In view of this strong financial condition, it would seem reasonable to expect that the company will maintain its present dividend of $2. This company has shown an excellent earning power over the past several years and would appear to have a bright future. We regard the stock as an attractive speculation at present levels of 27.

INTERBOROUGH METROPOLITAN 4½s

Outlook Improved

Please advise me as to the future of the Interboro Metropolitan 4½s of 1956 and the certificates. What is the difference between them? With improvement in the New York traction situation is there any chance of the interest being paid on these bonds? I note the upward movement in Interboro Rapid Transit 5s of 1966; I hold some at 53.—R. P., Pittsburgh, Pa.

Interboro Metropolitan 4½s due 1956 are secured by $100 stock of the Interboro Rapid Transit Co. for $200 in bonds. The company is in receivership, but President Hedley of the Interboro Rapid Transit Co. recently stated that that company was now earning its fixed charges and that no receivership was necessary. It looks very much as though it has turned the corner and that the stock will become very valuable. Under the circumstances we should say these bonds at present prices of around 14 for the bonds and 12 for the certificates of deposit have very good speculative possibilities.

The only difference between the bonds and the certificates of deposit are that the latter are deposited with a protective committee, which may involve a slight expense. We would favor purchasing these, however, as they are two points lower and we do not believe the expenses of the protective committee would amount to nearly as much as that. We should say that it is not likely that interest will be resumed on these bonds for two or three years but at present low prices they look attractive. In spite of the fact that you now have a large profit on the first 5s would favor holding for still higher prices.

TWO HIGH PRICED STOCKS

Both Attractive

I have some Eastman Kodak common stock and would like your advice as to whether it would be advisable for me to purchase more at present levels.—E. F. L., San Diego, Cal.

While we regard Eastman Kodak common stock as a desirable semi-speculative investment, we do not believe it advisable to put too many eggs into one basket and suggest that you be satisfied with your present holdings. Instead of buying any more of this stock, suggest Standard Milling.

Standard Milling for the past ten years has averaged over $18 per share on the common stock and as it in no year paid over $10 in dividends it has piled up a large surplus and working capital has increased 300%. For the year ended August 31, 1921, $10.93 was earned on the common stock, which was a very remarkable showing, because practically all companies in the same line of business reported large deficits in this period because of losses in inventories. In 1920 $25.53 was earned. Since the close of the year earnings are estimated to be running at the rate of over $25 per share on the common. In both 1920 and 1919 this common stock sold as high as $160. At the present time dividends are being paid at the rate of 8% but it is expected that some time this year there will be either an increase in the

dividend or a stock dividend. The market is very wide, and inactive in this security, being at the present 110 bid, offered at 118. Suggest putting in an order to buy in odd lots at 116 or better. This is an attractive security to hold for the long pull.

Standard Milling Co.'s principal subsidiary is the Hecker-Jones-Jewell Co.

GILLETTE SAFETY RAZOR
Competition Likely

I hold shares of Gillette Safety Razor Co. and would like your best advice as to whether it would be advisable for me to take profits at present prices or hold for still higher prices? What is the outlook for the company?—R. A. H., Trenton, N. J.

Gillette Safety Razor Co. has a remarkable record over the past ten years as net income each year has increased, and for the year 1920 reached a new record of $6,803,407. This was equal to $27 a share on the 250,000 shares of stock now outstanding. Its balance sheet as of December 31, 1920, showed a working capital of about $7,500,000. In spite of the unfavorable conditions in business in 1921, the company increased its sales and an excellent report for that year is expected. The company has recently adopted the policy of paying stock dividends from time to time in addition to the present dividend of $12 per share in cash.

So far as financial condition, earnings, etc., are concerned, this company shows up very well indeed. We are not, however, inclined to favor the stock for permanent investment for the reason that its business is limited to a specialty, a number of its patents have run out and there is increased competition. It is quite likely, therefore, that competition in the years to come will get more severe and competition from Germany is to be feared. Germany can manufacture safety razors and sell them in this country at a lower price than we can manufacture, without question. This has not affected Gillette at the present time, because it has a very splendid organization and has been able to hold its own. Of course being such a strong company, it could probably protect itself to some extent by buying in the German companies, etc. There are uncertainties in the situation, however, and we would not regard it advisable for you to maintain a large interest in this company permanently, and we believe it would be advisable for you on any advances from present levels to reduce your holdings somewhat.

HYDRAULIC STEEL PREFERRED
Good Financial Condition

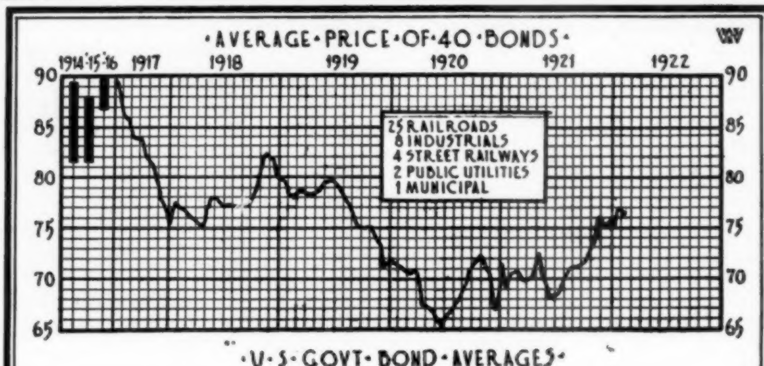
Would appreciate your opinion as to whether it is advisable for me to hold fifty shares of Hydraulic Steel preferred stock purchased at par or should I take my loss?—H. M. W., Ohio.

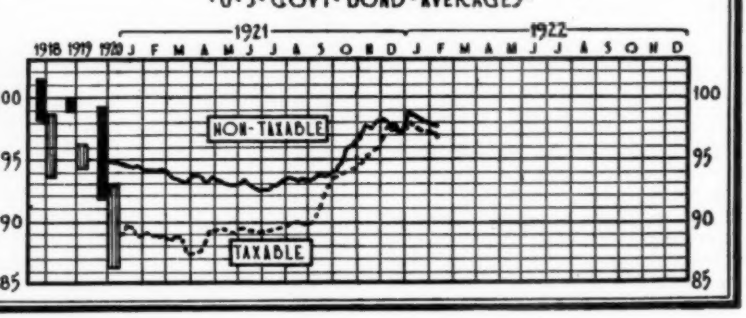
Hydraulic Steel Co. in November, 1920, sold $3,500,000 8% notes. This is the only funded debt of the company. There is $6,000,000 7% cumulative preferred and 200,000 shares of common of no par value. Under the present conditions in the steel industry, this company is not able to make any profits to speak of, but in the past it has been a good earner and the sale of notes has put the company in easy financial condition. While the preferred stock is speculative, we believe it has fairly good possibilities of coming back ultimately and suggest holding.

(*Continued on page* 567)

THE BOND MARKET

(Continued from page 534)





were the Frisco, Southwestern and Rio Grande issues.

In the industrial group the only actions of any consequence were strangely enough in opposite directions. Virginia-Carolina Chemical 7½s declined 2 points and the American Cotton Oil 1st 5s advanced 1½.

The traction bonds continued to show great strength as result of the improved earnings and brighter outlook. These bonds have long been neglected chiefly because of the adverse public sentiment to higher fares and the political moves on the part of the present administration to place these companies in disrepute. Investors now seem to be realizing the excellent speculative possibilities in these bonds and demand is broadening out. All bonds in this group advanced from ¼ of a point to 1 point.

Current Bond Offerings

THE remarkable strength of the bond market which, with minor periods of irregularity, has been sustained for a very long period has developed similar interest in new bond offerings with the result that they are being snapped up by eager investors all over the country. This is more particularly true, however, of the higher coupon bonds.

NEW BOND OFFERINGS

	Amount	Offered yield
Gt. Northern Ry.	$36,000,000	5.75%
Southern Pac. Co.	2,000,000	5.35
Kansas City Gas Co.	2,500,000	6.20
Cent. Illinois Light Co.	2,750,000	6.50
Ozark Power & Water Co.	2,000,000	7.20
State of Queensland, Australia	10,000,000	6.25
Consolidation Coal Co.	10,000,000	6.03
Summit, N. J.	498,000	4.30-4.50
Federal Farm Bank.	75,000,000	5.20
Virginian Joint Stock Land Bank	1,000,000	4.80-5.00

Announcement of the retirement of the Victory 3¾s, the first step in the refunding program of the Treasury, resulted in heavy inquiry for tax-exempt securities on the part of large investors who are important holders of the 3¾s. The Liberty 3½s will also be withdrawn, the amount involved being about $400,000,000. This has also resulted in greater activity in tax-exempt bonds. One of the direct results of the refunding program thus far put into effect is that the $75,000,000 Federal Farm Loan bonds have been entirely taken. This could not have happened were it not for the retirement of the Victory 3¾s and the Liberty 3½s. The effect of the Treasury policy on tax-exempt bonds of municipals and states and similar issues is thus very marked.

There is considerably more activity on the public utility department of the new bond market. During 1922 there will undoubtedly be a continuous stream of such offerings.

The municipal bond market has become a little quieter despite the large buying by wealthy investors owing to the fact that there were too many issues during the past several months, with the result that the average investing public is rather fed up in this market for the present. A period of relative quiet is anticipated during the next few weeks.

It is interesting to observe that cities offering new bonds with a coupon rate of less than 4½% are finding difficulty in

disposing of the same. A good deal of municipal financing is being held up pending further knowledge as to how investors will react to the lower coupon rate. Should they persist in favoring bonds with a higher coupon rate, it is very likely that bonds subsequently to be issued will bear rates at no less than 4½%. A number of good issues will probably be offered with rates as high as 5%.

A very interesting period in foreign issues looms ahead. Undoubtedly the amount of foreign loans to be sold in this country in the next few months will reach very high figures. Both New York and London are competing for these issues though it is noted that the rates offered by issuing houses has not been shaded despite the competition, which means that the foreign bond market is still in buyers' hands. Among the new issues will be a Holland loan of large proportions. There will also probably be a loan to Peru, as well as loans to a number of smaller countries. These loans, it is understood, will be secured by customs duties.

ANSWERS TO INQUIRIES
(*Continued from page* 565)

AMERICAN WATER WORKS
Conditions Favorable

I am contemplating buying a few shares of American Water Works 6% preferred stock as a speculation. I would like your opinion in regard to this stock and a few facts in regard to the company.—B. R. Seaforth, Ont., Canada.

American Water Works & Electric Co., Inc., for the year ended June 30, 1921, reported net income of $516,269, as compared with $282,947 in 1920. This company controls and operates water works companies in some 19 communities, serving a population in excess of 1,250,000. It also has interests in electric light and power plants and traction lines. The company is in good financial condition, with a working capital of about $2,000,000. Conditions generally are favorable to public utility companies because of the decline in the cost of materials and labor which has enabled these companies to reduce operating costs. Earnings of this company have just about been sufficient to cover the first preferred dividend of 7%.

Inasmuch as this company is now earning its dividend on the 7%, improved conditions, showing better earning power, will doubtless be reflected in better prices for the 6% preferred.

PACKARD MOTOR
Full Capacity Through Winter

The writer is desirous of knowing if you consider Packard Motor 7% preferred stock a good buy at 63? Is it probable that the 7% dividend will be continued?—H. F. F., Holly, Mich.

Packard Motor Car Co. for the year ended August 31, 1921, reported an operating loss of $987,366. The company also put up a contingency reserve of $2,500,000 and paid preferred dividends of $1,346,410, making a total deficit for the year of $4,833,736. One of the reasons for this poor showing, however, is the fact that practically the entire cost of putting out the new light six fell in this year. The company is in very strong financial condition, with $10,000,000 cash on hand. It was recently officially stated that operations would be maintained at full capacity throughout the Winter. The 8% notes, selling around par, look very attractive to us. The working capital of the company exceeds the notes outstanding. The preferred stock, around present prices of 63, we regard favorably, but would only purchase this security outright, with the idea of holding, even should it decline from present levels considerably in case of adverse dividend action. In this connection, we should say that we believe the preferred dividend will be continued, but this cannot be regarded as absolutely certain.

BUSH TERMINAL PREFERRED
A Good Investment

I am thinking of buying some Bush Terminal
(*Continued on page* 586)

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Recent Asked Price*	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a)	73½	6.95%
Buffalo General Electric First 5s, 1939 (c)	90¾	5.85
Canton Electric Co. First 5s, 1937 (b)	88	6.20
Cleveland Electric Ill. Co. 5s, 1939 (b)	91	5.80
Cleveland Electric Ill. Co. 7s, 1935 (a)	104½	6.50
Denver Gas & Electric Co. First 5s, 1949 (c)	87	5.95
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	102½	6.75
Evansville Gas & Electric Co. First 5s, 1932 (a)	80¾	7.65
Kansas Elec. Utility First 5s, 1925 (c)	85	9.60
Kansas Gas & Electric 5s, 1922 (a)	100	5.00
Indianapolis Gas Co. 5s, 1952 (a)	80	6.50
Los Angeles Gas & Electric Gen. 7s, 1931	98½	7.25
Louisville Gas & Elec. Ref. 7s, 1923 (c)	99	7.50
Nevada-Cal. Electric First 7s, 1946 (c)	86	8.35
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	100	7.50
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	85	7.55
Peoria Gas Electric 5s, 1923 (a)	95½	7.45
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	104	6.65
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a)	85¾	6.35
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939	92	6.75
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	93	7.70
Standard Gas & Electric Secured 7½s, 1941 (c)	96	7.90
Syracuse Gas Co. First 5s, 1946 (a)	86	6.05
Twin-State Gas & Electric Ref. 5s, 1953 (c)	73	7.15

TRACTION COMPANIES

Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b)	97	7.95%
American Light & Traction Notes 6s, 1925 (c)	96	7.15
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	68	8.40
Danville, Champ. & Decatur 5s, 1938 (a)	72	8.05
Georgia Ry. & Power 5s, 1954 (b)	79½	6.55
Kentucky Traction & Terminal 5s, 1951 (a)	64½	8.25
Knoxville Ry. & Light 5s, 1946 (b)	70	7.75
Milwaukee Light, Heat & Traction 5s, 1929 (a)	89	6.80
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	100	7.00
Milwaukee Elec. Ry. & Light 20 year 7½s, 1941 (b)	100½	7.45
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c)	96	9.25
Memphis St. Ry. 5s, 1945 (a)	65	8.45
Northern Ohio Trac. & Lt. 6s, 1926 (c)	82	10.75
Northern Ohio Trac. & Light 6 Year Sec. 7s, 1926 (c)	96	7.95
Nashville Ry. & Light 5s, 1953 (a)	76	6.85
Portland Ry. P. & L. 1st Lien & Ref. Ser. "A" 7½s, '46 (c)	99	7.55
Topeka Ry. & Light Ref. 5s, 1933 (c)	69	9.35
Toledo Trac. Lt. & P. Co. First Lien 7s, 1921 (b) (6 mos.?)	100	7.00
Tri-City Ry. & Light 5s, 1930 (c)	83	7.65
United Light & Rys. Ref. 5s, 1932 (c)	81	7.58
United Light & Rys. Notes 8s, 1930 (c)	100	8.00

POWER COMPANIES

Adirondack P. & Lt. Corp. First & Ref. Gold 6s, 1950	94	6.45%
Adirondack El. Power Co. First 5s, 1962	87	5.85
Alabama Power Co. First 5s, 1946 (a)	86	6.05
Appalachian Power Co. First 5s, 1941 (a)	80½	6.80
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c)	101	7.40
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A, 1941	98½	7.15
Cent. Maine Power Co. 5s, 1931 (a)	87¾	6.70
Cent. Georgia Power First 5s, 1938 (c)	75	7.65
Columbus Power Co. (Georgia) First 5s, 1936 (a)	86	6.45
Colorado Power Co. First 5s, 1953 (c)	78	6.65
Consumers Power Co. (Mich.) 5s, 1936 (a)	87½	6.30
Electric Dev. of Ontario Co. 5s, 1933 (b)	89	6.35
Great Northern Power Co. First 5s, 1935 (a)	86¼	6.50
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a)	90	7.05
Great West. P. Co. 5s, 1946 (a)	87½	5.95
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	88	5.85
Idaho Power Co. 5s, 1947 (a)	84	6.25
Kansas City Power & Lt. 8s, 1940 (c)	103	7.70
Kansas City Power & Lt. First 5s, 1944 (c)	80	6.75
Laurentide Power Co. First 5s, 1946 (b)	87	6.00
Madison River Power Co. First 5s, 1935	92	5.85
Mississippi River Power Co., First 5s, 1951 (c)	85½	6.05
Niagara Falls P. Co. First & Cons. Mtg. 6s, 1950 (b)	98	6.15
Ohio Power First & Ref. 7s, 1951 (c)	90½	7.05
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	98	8.35
Potomac Electric Power Gen. 6s, 1922 (c)	100	6.00
Puget Sound Power Co. First 5s, 1933	85½	6.75
Salmon River Power First 5s, 1952 (c)	86	6.00
Shawinigan Water & Power Co. First 5s, 1934 (b)	95	5.55
Southern Sierra Power Co. First 6s, 1936 (c)	91½	6.90
S. W. Power & Lt. First 5s, 1943 (c)	82	6.55
West Penn. Power First 7s, 1946 (c)	101	6.90

TELEPHONE AND TELEGRAPH COMPANIES

American Tel. & Tel. 3-Year 6s, 1922 (c)	100¼	5.75%
American Tel. & Tel. 5-Year 6s, 1924 (c)	99⅞	6.15
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	87	8.95
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	100½	6.85
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	107	6.45
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	85	6.25
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	87	6.35
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	89	6.40

*Investors should note that the "asked" price on a bond may vary from 1 to 5 points from the "bid," depending upon the activity of the bond.

THE MILWAUKEE ELECTRIC RY. & LIGHT CO.

A Utility Making a Very Satisfactory Showing

By JAMES E. HALSTED

This company reported an increase of 65% for net after taxes for the month of Oct., 1921, as compared with 1920. The fixed charges in both months were about $210,000 and for Oct., 1921, the net after fixed charges was $260,637 as compared with $73,219 for Oct., 1920.

For the twelve months ended Oct. 31, 1921, the fixed charges were earned two and a third times. Fixed charges were $2,031,430 and balance of surplus after fixed charges were $2,781,635.

The company operates practically all the street cars in Milwaukee and also interurbans, electric light and power systems serving Racine, Kenosha, West Allis, Waukesha and a number of smaller communities.

The entire common stock of the company is owned by the Wisconsin Edison Co., which is controlled by the North American Co.

The fares which the company are allowed to charge are regulated by the Wisconsin Railroad Commission, which body has generally been just and has allowed increases when they were due. Therefore, the company has not become impoverished as have those in some cities. On the other hand, it is expected that the company will be asked to reduce rates from time to time as operating expenses are lowered.

The First 5s

The Milwaukee Light, Heat and Traction Co. First 5% Bonds of 1929 are secured by a first mortgage on 235 miles of interurban railway extending from Milwaukee to Racine, Kenosha, Waukesha, Oconomowoc and several other towns and also on plants supplying electricity to Racine, West Allis, Waukesha and about four or five smaller towns.

The bonds are guaranteed principal and interest by the Milwaukee Electric Ry. & Light Co. by endorsement.

The issue was offered in 1904 at 103 and interest. Considering the security, age and earnings, these bonds are entitled to a good investment rating. Their present yield is about 6.60%.

The 7% Notes

The Milwaukee Electric Ry. & Light Co. 3½ 7% Notes due May 1, 1923 are outstanding to the amount of $2,000,000 and are secured by a pledge of $3,000,000 General and Refunding 5% Bonds due 1951 of the same company. These later bonds are a third mortgage on 168 miles of street railway track in Milwaukee and are also secured by pledge of one-third of the issue of second mortgage bonds.

Although the notes are not as near the rails as they might be the earnings of the company are satisfactory, the notes will doubtless be paid in cash at maturity and are a good short time investment. The present yield is about 7%.

The 7½s of 1941

The $5,000,000 outstanding Milwaukee Electric Railway & Light Co. 20-Yr. Ref.

(*Continued on page* 579)

FOREIGN TRADE AND SECURITIES

(*Continued from page* 525)

rencies would be worth by the time American shipments should arrive at destination. If an importer in Europe orders goods even to re-export he must deposit the duty in local currency. If this currency should depreciate the importer is certain to lose by the amount of the depreciation because the amount originally deposited is alone allowed when the duty is refunded upon re-exportation.

A stimulant to American trade under these conditions would be to have consignment warehouses in European ports of entry for American goods. They would serve in the same capacity as the entrepots in some French seaports, where American goods can be imported duty free temporarily, exhibited to prospective buyers, and sold subject to the customs regulations of the country of final destination. This practice would in a measure do away with the disadvantages arising from the fluctuations in exchange and the losses due to making customs deposits. But all difficulties affecting the free flow of American trade would be largely removed if some plan of stabilization of currencies were devised so that prices would not change notwithstanding currency depreciation.

For the present depreciated currencies must be accepted as a fact which will take a very long time to bring back to normal par of exchange on a gold basis. *The disturbing element in trade relations with the United States is the fluctuations in exchange rates,* and there is little hope of a revival of commerce to normal conditions until foreign currencies are stabilized. This is the crux of the problem—stabilization.

But, with concerted action on the part of the nations interested, and that includes practically all of them, this problem ought not to be difficult of solution. In view of the situation as previously analyzed, the following are presented as pertinent suggestions:

1. Further issues of paper currencies must cease.
2. The establishment of government budgets in the future so that income shall exceed expenditures, thereby permitting a gradual reduction of inflated currencies, which would represent repayment of existing debts.
3. Recognition by an international monetary conference of the existing percentages of depreciation at a definite period of time as a basic fact and acceptance of these percentages of depreciation as a new temporary standard of measuring values of goods, thus removing the tendency to fluctuation in exchange rates, which has been the disturbing factor in conducting international trade.
4. Regular periodic international monetary conferences to determine the existing percentage of depreciation of currencies according to statements issued by the respective national treasuries of the amount of outstanding currencies as compared with the amount of gold held for their redemption, and the adoption of a new temporary standard of values corresponding to the existing percentages of depreciation.

The carrying out of these suggestions may mean sacrifices on the part of those responsible for governmental activities, but with the lapse of time, the practice of economy, and efficient production of raw materials and manufactured goods the gradual return of domestic and foreign trade may be undoubtedly anticipated.

AMERICAN COTTON OIL CO.

(*Continued from page* 539)

outstanding, equally and ratably with all other indebtedness secured by such mortgage.

The dividend record on the preferred stock dates back to 1892, from which time regular payments at the rate of 6% per annum were made until June, 1921, when the dividend due at that time was deferred. The preferred dividends are non-cumulative.

Conclusion

In reviewing the history of the company, we find that net profits, after interest charges, and available for dividends for 24 years to and including August 31, 1919, were, with the exception of 1896 and 1911, more than sufficient to cover dividend requirements on the preferred stock. The years 1920 and 1921, however, were adverse years with poor earnings and a large amount of inventory, the liquidation of which was necessary because of lower prices. Since the reduction in the cost of inventory carried, prices of cotton have risen and with it has come an advance in cottonseed, which means additional profits on the inventory carried forward.

The dividend on the $10,198,600 preferred stock is non-cumulative and the resumption of payments on the preferred is a matter that is as yet too early to predict. Shortly after the close of the company's fiscal year ended August 31, 1921, it was reported that monthly earnings were again showing a profit. If this condition continues, and there is every indication that it will, it appears within reason to expect a resumption shortly after the close of the 1922 fiscal year, and in the meantime an appreciation in market value might take place. The present price of 43 is only about 8 points above the record low for all time.

The American Cotton Oil Company's record of earnings shows net profits, after deducting operating expenses for the twenty-four years ended August 31, 1919, aggregating $43,761,756, or an average of $1,823,406 per annum. From this amount, interest on bonds and notes consumed $7,824,305, an average of $326,012 per year, leaving a balance available for dividends on the preferred stock of $35,937,451, an average of $1,497,394 per year. Out of the balance, dividends at the rate of 6% per annum were paid, requiring at that rate only $611,916 per year, which on the average were earned more than 2.4 times.

ANSWERS TO INQUIRIES

(*Continued from page 558*)

DOME MINES

Has Advanced 100%

What is your advice in regard to Dome Mines? —G. J., Chicago, Ill.

Dome Mines has outstanding capital stock of $5,000,000, par $10. In November, net earnings were reported to be $145,000. The company has declared a quarterly dividend of 25 cents a share and another dividend of $1, subject to the approval of the Canadian Government, dividend being termed a capital distribution. The stock is selling around $23 a share and, while it may have speculative possibilities around the present level, yet it has had a rise of 100% from the low and we are inclined to believe there are better opportunities. Miami Copper selling around $26 a share and paying dividends at the rate of $2 per annum, is, in our opinion, a better speculation. The outlook for the copper mining companies is better than it has been for several years and as this is one of the low cost producers, the favorable situation should be reflected in a higher market for its shares.

SHANNON COPPER

Properties Worked Out

I would appreciate any information you may have in regard to Shannon Copper. I hold 100 shares for which I paid 1⅛.—D. J. J., Lawrence, Mass.

Shannon Copper has done no work on its properties since 1918, as the ore had thinned out in grade to such an extent that operations became unprofitable. In March, 1920, it was stated that stockholders voted to authorize the directors to invest, at their discretion, the net current assets of the company in the purchase and operation of oil leases. We have no information as to what has been done along these lines. The balance sheet as of Dec. 31, 1920, shows net current assets equal a little over $1 per share.

TENNESSEE COPPER

In Good Position

Last December I bought outright 50 shares of Tennessee Copper & Chemical at 10⅛, and it has done nothing since. Would thank you to let me know your honest opinion of this stock and what the prospects are?—F. H. A., New York City.

Tennessee Chemical was hard hit in the past few years by an unfavorable sulphuric acid contract it had with International Agricultural Chemical. This contract expired Dec. 31, 1920. We believe that this company will be able to show better profits in years to come and at present prices, it looks like an attractive speculation. The company's financial condition is strong.

For the eight months ended Aug. 31, 1921, the company earned only five cents a share on the stock, but in this period $528,967 was charged of for inventory adjustments. Capitalization consists of $1,141,500 bonds in hands of public and 794,224 shares of common of no par value. Estimated production for 1921 is 8,127,296 lbs. of copper and 236,707 tons of sulphuric acid.

OVER-THE-COUNTER

IMPORTANT ISSUES

(Quotations as of Recent Date)

American Type Founders, com.	44–47
Atlas Portland Cement	45–50
Babcock & Wilcox	108–110
Borden Company	94–96
Celluloid Co.	98–103
Childs Co.	113–115
Crocker Wheeler	..–60
Jos. Dixon Crucible	130–140
Ingersoll-Rand	145–155
H. W. Johns-Manville	375–450
New Jersey Zinc	133–135
Niles-Bement-Pond	45–47
Phelps, Dodge Corporation	170–180
Royal Baking Powder Co.	98–105
Safety Car Heating & Light	60–62
Stetson (John B.)	295–310
Thompson-Starrett	58–65
Victor Talking Machine	800–900
Ward Baking Co.	100–...
Yale & Towne Mfg.	280–290

Victor Talking Machine

An Industrial Marvel

VICTOR Talking Machine is something of an industrial marvel.

The company was formed in 1900. Since organization it has excelled in point of management and results. Its keenly progressive policy has been an outstanding factor in its growth, combined with unusual efficiency in the manufacture and distribution of its products.

The company files no income statements. However, its dividend record gives some indication of its enormously profitable career. From 1900 to 1921, regular 6% dividends were paid on the common shares. From, and including, 1912 to date, the records show the following payments:

1912	20%	1917	50%
1913	20	1918	20
1914	30	1919	50
1915	50	1920	60
1916	80	1921	45

The shares are of par value $100. Hence, the total dividends paid per share of common since organization amount to $497.

The company's originally authorized capital included $500,000 7% preferred and 50,000 shares of common. The preferred has, by now, been practically all retired. There is no funded debt. Hence, the common shares have almost exclusive title to the company's profits.

Victor's financial position has been well maintained. Working capital for the period 1915 to 1920, inclusive, has progressed as follows (000 omitted):

1915	$12,649	1918	$20,499
1916	14,957	1919	22,761
1917	18,503	1920	19,987

Victor Talking Machine stock, owing to its high price,—around $1,000 per share—is seldom dealt in. Furthermore, there is very little of it on the market. These facts alone qualify its investment merits.

Eastman Kodak

Shares Look Unusually Attractive

SHARES of the Eastman Kodak Co., under a proposed capital readjustment plan will come within the reach of the average investor. The plan calls for issuance of 10 shares of new common for every 1 share now held. The stock is now quoted around $675 per share, so that the price of the new issue should be in the neighborhood of $67.

The company like Victor Talking Machine, is supreme in a highly lucrative field, as shown by the following income analysis; (000 omitted):

	Net Income	Dividends Paid Pfd.	Dividends Paid Com.	Surplus
Average, 1910-14	$12,019	$370	$7,418	$4,277
Average, 1915-19	15,596	370	9,573	6,047
1920	18,566	370	7,865	10,339

Dividends paid by Eastman Kodak have reached as high as 40% in one year. The regular current rate is supposed to be 10%, although average yearly payments, including extras, have been considerably in excess of this amount.

Priced around $70 a share, a common stock of this calibre certainly merits serious consideration on the part of investors. A considerably higher price seems justified.

The New Book Letter

WHAT JAPAN WANTS—by Yoshi S. Kuno.

A book like this, coming at a time when Japanese diplomatic relations with the United States are occupying men's minds, is certainly timely. The book aims to set forth plainly, and without bias, what Japan wants both at home and abroad. The need of an outlet for the excessive population is pressing, and to this problem, Dr. Kuno, a native Japanese, who is connected with the University of California, offers his solution. With the 1920 census telling us that there are now 111,000 Japanese in this country, 72,000 in California alone, and that this is an increase of 50% over the figures of 1910, we cannot afford to let any opportunity of gaining information on this subject pass unnoticed.

Price $1.10.

INTIMATE TALKS WITH INVESTORS

(Continued from page 561)

an oversight can prove expensive, as the broker is literally in the market for you all the time, and he cannot use his discretion or make a rapid change when this becomes desirable. By giving the broker a "G. T. C." order, and remembering it, you have him working for you; you also have the ability to check him by a telegram. By forgetting, you may be buying or selling beyond your means. Thus, for example, when Steel sold at 85, you might have considered it low and given this order: "Buy G. T. C. 100 Steel at 84, and 100 Steel every point down, commencing at 83." Steel actually broke to 70, upsetting many calculations—perhaps even your own. But the broker with his order would have no option but to buy, buy and buy again. Suppose, meantime, your doctor ordered you away on a long sea-trip.

Avoid Dealing "At the Opening"

Have you ever noticed the big activity that always centers around stocks from 10 a. m. to around 10.30 a. m. at the opening of the market? And how this is increased at the beginning of the week, or after a couple of days' vacation? If you have noticed it, you will find that it is not profitable to do your buying "at the opening," and also if you have profits, and wish to take them, it is often very satisfactory to sell "at the opening." If you buy at the beginning of the day's session, you will very likely pay the highest price during a market that is upward. In a downward market, the converse seems equally true on average. After a good break, and then another, a day comes when lowest prices are reached; and the very lowest prices will be made, strangely enough, right at the opening.

Avoid "openings," and if you wish to let your broker know that you desire to buy and sell sensibly, and not merely follow a crowd, tell him to execute all your orders "after the opening." The time of execution is, therefore, left to your broker, and he would use his judgment to wait until most of the morning excitement subsides, and then leisurely put in your order around 10.30 to 11 o'clock, or even later.

There is no advantage whatever in the long run by buying or selling between 10 and 11 a. m. if you desire to buy cheaply, or sell at a loss. In our experience, it often pays, however, to take profits "at the opening" or very shortly thereafter. Telegrams to brokers can very well read: "Sell at the opening," "Buy at the opening," "Sell after the opening," "Buy after the opening."

The right sort of brokerage house will aid you in your problems with regard to placing orders expeditiously. Paying the piper, you are justified in expecting real service. If you can't get it, change your broker.

ANNOUNCEMENT

For the convenience of the readers of the Magazine of Wall Street, a new income tax department has been created solely for the purpose of answering inquiries on the Income Tax. Inasmuch as returns must be made out and filed on or before March 15, it is requested that readers who are desirous of taking advantage of this opportunity will send their inquiries into this office before March 8 at the latest in order that sufficient time may be given the Income Tax Department to prepare answers and give advice. No attention will be paid by this department to letters received after March 8.

Inquiries relating to the Income Tax should be addressed to

INCOME TAX DEPARTMENT

MAGAZINE OF WALL STREET

42 BROADWAY NEW YORK CITY

TIRE COMPANIES EMERGE FROM DEPRESSION

(*Continued from page* 543)

ter than most of the rubber and tire companies. With a good deal of prudence and foresight, however, the company had provided reserves from the profits of more prosperous years, to care for possible losses of the kind it experienced and the $11,000,000 inventory loss came out of the reserve without being a charge against the profits of the year.

During the first half of 1921 the company felt the business depression and curtailed its manufacturing operation to the minimum. For the six months to June 30, 1921, it sustained a loss, after interest and other charges, of $4,875,223. Since interest charges for the period amount to about $2,450,000, the actual loss from operation and inventory adjustment is approximately about $2,400,000, but as in the case of 1920, the whole loss will be charged against the reserve account and will not deplete the surplus.

In August, 1920, the company sold $20,000,000 of its 10-year 7½% notes to liquidate some of its bank loans insured to carry larger inventories. Even after applying the proceeds of this financing the company had over $67,000,000 of payables outstanding at the end of 1920, which was very high, compared with previous levels. According to reports this debt has been considerably reduced during 1921, and will be reduced still further as the heavy inventories responsible for its creation are liquidated. As a large part of the inventory represents rubber footwear the rather slushy winter ought to have the effect of considerably reducing its proportions. It is not expected that the company will be obliged to issue any more funded obligations to care for this floating indebtedness, although rumors have cropped up from time to time that it might be necessary for it to do so.

In 1918 the company earned, after all deductions $16,072,041, or 30.86% on its common stock; in 1919 it earned $17,730,237 or 24.18% and in 1920 earned $21,220,938 or 19.77%. Even in 1914 the company showed 9.18% on its common shares, so that it has a demonstrated earning power in peace or war. Its dividend record has been somewhat irregular, varying from 1% in 1911 to 5½% in 1913, 6% in 1914, 3% in 1915, nothing in 1916, 1917 or 1918, 2% in 1919, and 8% in 1920 together with a stock dividend of 12½%. The common dividends were discontinued in 1921, due to slackened business and the desire to conserve cash resources although the large surplus of the company would have permitted their payment.

During the past two years the common stock has had a wide fluctuation in price falling from 143¾ to 53 in 1920, ranging between 79¼ and 40½ in 1921, and now selling around 54½. When earnings revive again, as they undoubtedly will in 1922, dividend resumption ought not be long delayed. The company has a surplus of around $45,000,000 or more than 50% of its common capitalization of $81,000,000, and hence it will not be under the necessity, like so many other large organizations, of building up surpluses wiped out in the recent cataclysm, so that dividends can be conservatively renewed with reviving earning power. To pay preferred dividends requires $5,200,000 annually, and if the company returns to the 8% dividend rate it would require $6,480,000 or a total annual earning power of $11,680,000. This ought not be beyond the power of a company that earned $11,226,208 in 1916, though, as has been pointed out, the past is not a safe criterion upon which to judge the future due to the unbalanced condition existing between production cost and selling price.

If the company can get back to an 8% dividend basis within the next year or year and a half—and the writer thinks it not at all unlikely that it can—the stock at its present price of 54½ offers good profit-making opportunities. Furthermore, there is a possibility of a stock dividend from the substantial surplus of the company. Of course, the directors have the privilege of being ultra conservative and may decide that a comparatively long period of profitable business would elapse before embarking upon a liberal dividend policy. From all indications, however, the business of the company is likely to justify a fairly liberal policy. Even on a future dividend basis of 6% the stock at present levels presents good profit potentialities.

Conclusion

A careful examination of the tire organizations shows that while they have experienced heavy difficulties incident to readjustment, they have come through in better shape than many other types of industry. Compare the position of United States Rubber, for example, with some of the large leather corporations, and witness how much better it has weathered the storm. For nearly two years tire stocks have been anathema to most investors, but now that most of the companies have been fully deflated and put themselves in a stable position, this prejudice is likely to gradually vanish. To anyone possessing patience, a purchase of tire stocks at current levels is likely to bring a generous reward.

NORTH AMERICAN COMPANY

(*Continued from page* 553)

most attractive investment preferred stocks on the New York Stock Exchange.

The common stock certainly appears to be in line for increased dividends. With earnings running at the rate of $19 per share this stock might readily go on a $5 per annum basis. Attention is called to the fact that in pre-war years, when the company was nowhere near its present state of development, the old stock, which never paid more than $5 per annum, repeatedly sold above 80 and in 1902 touched its high water mark of 134.

The Rights, as has been brought out, offer a rather exceptional opportunity for speculative possibilities at a small cost and with an absolutely limited amount of risk.

FOR YOUR SPECULATIVE FUND
(*Continued from page* 545)

Assuming that the investor has, say, $5,000 as a fund with which he is reasonably entitled to speculate, that amount should be so distributed among speculative issues as to minimize the danger of irretrievable loss. Take nothing for granted; anticipate losses and you will be starting out on the right path.

There are of course innumerable ways of diversifying the employment of this hypothetical fund of $5,000. It might be distributed among five, ten, twenty different issues. It might be distributed among dividend-paying standard stocks, it might be distributed among dividend-paying issues which are not standard. It might be distributed among non-dividend paying issues of the purely speculative sort, and again it might be distributed among non-dividend paying issues which have a good chance of paying dividends in a reasonable period. It might be distributed among stocks which sell over $30 a share or over $50 a share or be confined exclusively to the "cat-and-dog variety" selling under $20 a share.

Broadly speaking, it would be better to distribute the entire $5,000 in each of the categories enumerated above. This has been done in the accompanying table, which is recommended to readers as a model of a speculative list.

It will be noticed that a large proportion of the speculative fund is devoted to the low-priced issues. This is not because the low-priced issues are better intrinsically than the others but, frankly, because they offer better speculative opportunities—in percentage. Approximately two-thirds of the speculative fund is devoted to what may be termed the better-class speculative issues, and the balance to the low-priced speculative issues that have good possibilities of at least doubling in price within a reasonable period.

Arranging his speculative fund in about the manner described in the table herewith, the investor has the benefit of a reasonable amount of safety for the greater part of his funds, an adequate return on about 60% of his speculative investment and on the balance, consisting of low-priced issues, an excellent long-pull opportunity for enhancement of value.

The three principles referred to in the above have been rigorously adhered to in this table—assuming that the $5,000 speculative fund represents only a part of the funds which the investor has available for speculative purposes. Incidentally, the sum of $5,000 has been used merely for convenience, as the fund could just as well consist of $1,000 or $10,000 or any fair-sized amount at the disposal of the investor. It is doubtful, however, whether much could be done with a sum of less than $1,000, as a smaller sum would not allow for the proper diversification.

Low-Priced Stocks

The so-called cat-and-dog group very often offer good speculative possibilities. Many securities have graduated from this class into the dividend-paying group or at least into the group of medium and even

(*Continued on page* 585)

SMELTING COMPANIES HAVE TURNED THE CORNER

(Continued from page 557)

This is one of the few companies that has been able to conduct mining operations in Mexico throughout the turbulent times that that country has passed through in the past several years. Of course operations have been hampered to some extent and the better conditions now prevailing should enable the company to enlarge its operations and do more development work.

The depression in the metal industry affected this company about to the same extent that American Smelting was affected. For the first six months of 1921, while the company operated at a profit, it failed to earn its preferred dividend, but in the second six months the preferred dividend was covered with a margin to spare. For the full year 1921 there is a fair chance that the preferred dividend was covered because of appreciation in inventories. At the most the company will not have to dip into surplus more than $200,000 or $300,000 to pay the $1,702,000 which the preferred dividend calls for. As the company is in excellent financial condition with a working capital of $11,300,000 it can readily be seen that the management would be justified in dipping into surplus to a much greater extent than it will have to do.

In view of its large silver interests the most favorable development for the company has been the important advance in the price of silver in the past six months. The outlook is for a continued strong silver market.

Capitalization

Capitalization of United States Smelting consists of $12,461,000 bonds, $24,317,500 7% cumulative preferred stock, par $50 and $17,555,888 common, par $50. As shown by the accompanying graph the company has been a consistently good earner for a long period of years and 1921 is the only year in recent times that it failed to cover the dividend on the preferred stock. The dividend record is an excellent one, from 1907 up to and including 1920, dividends were paid every year with the single exception of 1915. The regular dividends have always been paid on the preferred stock. The dividend on the common stock was passed in March, 1921, and none has been paid since.

While the stocks of this company have not enjoyed the active market that is maintained in American Smelting & Refining Co. shares they have periods of activity and frequently offer good opportunities to the trader as well as the long pull investor. In 1921 the common reached a low of 26 in April, the lowest price reached since 1915 when it sold at 20. The high in 1921 was 39⅛ and in 1920 it sold up to 76. Its record high was 81½ made in the bull market of 1916. At present prices of around 35 the common stock would appear to have excellent speculative possibilities. Under normal conditions the company should be able to pay substantial dividends and in view of the strong financial condition and improved outlook early resumption of dividends is likely.

At present price of 43 the preferred stock gives a return on the investment of 8.1%. In view of the fact that the company has undoubtedly seen the worst of its troubles there is no reason to question the maintenance of the dividend on this issue at the present time. The low for the stock in 1921 was 37 and the high 45. It would appear to have good possibilities of gradually advancing to around par, $50, as it gets into a stronger investment position.

CANADIAN PACIFIC RAILWAY CO.

(Continued from page 537)

with December yet to be reported. It may be roughly figured that operating income of between $33,000,000 and $34,000,000 is necessary to take care of fixed charges, preferred dividends and 7 per cent upon the common stock. Judging by the November returns and by the eleven months' totals it is possible that Canadian Pacific ended the year with the above mentioned requirements covered by railway earnings. There is no exact way of determining what was the amount of special income for the year. This, of course, is aside and in addition to railway operating income.

In December, 1921, Canadian Pacific sold $25,000,000 4 per cent consolidated perpetual debenture stock which was offered at 78, to yield 5.13 per cent. This stock is a first charge upon the whole system, subject to a relatively small total of prior lien securities and is, of course, a security of the first grade.

The $80,000,000 4 per cent non-cumulative preferred stock is also a Grade A investment. That conclusion needs no elaboration or explanation. The common is now selling on an 8 per cent yield basis and, relatively speaking, is not high. It might be thought that much of the speculation has gone out of the junior shares because of the recognized earning power, asset position of the system and general recognition of worth. But, when the undeveloped resources of western Canada are considered, and when the mining, agricultural and timber possibilities of that region are allowed to take a place in the imagination, it will be realized that the statement that the speculative possibilities in Canadian Pacific common have gone is a statement far from the truth. It is not a stock which should be purchased with the idea of a quick turn or trading profit, but should be bought for the pull. The buyer of Canadian Pacific common, in addition to becoming a partner in an amply demonstrated, successful railway, steamship and landholding enterprise of gigantic scope, also buys a share in the development possibilities of western Canada, one of the few great open spaces of the world, where agricultural, mining and industrial possibilities conjure up a picture of infinite attraction.

IMPORTANT DIVIDEND ANNOUNCEMENTS

7%	Acme Tea, 1st p...	1¾%Q	2-18	3- 1
7%	Acme Tea, 2d p...	1¾%Q	2-18	3- 1
6%	Amer Felt, p......	1½%Q	2-15	3- 1
7%	Am Smelt & Ref, p	1¾%Q	2-13	3- 1
7%	Buda Co., p........	1¾%Q	2-18	3- 1
6%	Cities Service, p..	d½%M	2-15	3- 1
6%	Cities Ser, p B($10)	d½%M	2-15	3- 1
6%	Cities Service, c...	d½%M	2-15	3- 1
....	Cities Serv, c ext.	d1¼%	2-15	3- 1
....	Cities Serv, bk sh.	b17½c	2-15	3- 1
$1	Connor(J T), c (np)	25c Q	3-20	4- 1
6%	Harb-Walk-Refra, p.	1½%Q	4-10	4-20
6%	Harb-Walk-Refra, c.	1½%Q	2-18	3- 1
10c	Hart Oil, Cl A ($1).	2½c Q	...	2-15
....	Im Tob G B, c (£)	10 %	...	3- 1
....	Im Tob G B, c ext.	6d	...	3- 1
$1	Inland Steel ($25).	25c Q	2-10	3- 1
8%	Interlake S S......	2 %Q	3-18	4- 1
....	Interlake S S ext..	1 %	3-18	4- 1
....	Int'l Shoe, p.......	½%	2-24	3- 1
....	Int'l Shoe, p.........	1 %	3-24	4- 1
$2	Int'l Shoe, c (n p)	50c Q	3-24	4- 2
....	Lord & Tay, 1st p.m.	1½%	2-18	3- 1
7%	May Dept Stores, p.	1¾%Q	3-15	4- 1
8%	May Dept Stores, c.	2 %Q	2-15	3- 1
....	Nat Grocer, c ($10)	2 %	3- 5	3-15
$2	Phillips Pet, c (n p)	50c Q	3-15	3-31
7%	Pittsburgh Steel, p.	1¾%Q	2-15	3- 1
$2	Pure Oil Co, c($25)	50c Q	2-15	3- 1
$4	Stan O of Cal($25)	$1 Q	2-20	3-15
$4	Stan O of Ind($25)	$1 Q	2-16	3-15
16%	Stan O of N Y.....	4%Q	2-24	3-15
7%	Studebaker Corp, p	1¾%Q	2-10	3- 1
7%	Studebaker Corp, c.	1¾%Q	2-10	3- 1
$2.50	Union Storage ($25)	62½c Q	5- 1	5-10
$2.50	Union Storage ($25)	62½c Q	8- 1	8-10
$2.50	Union Storage ($25)	62½c Q	11- 1	11-10
60c	Un Prof Share ($1)	15c Q	3- 9	4- 1
60c	Un Prof Share ($1)	15c Q	6- 7	7- 1
5%	U S C I Pipe & F, p	1¼%Q	6- 1	6-15
5%	U S C I Pipe & F, p	1¼%Q	9- 1	9-15
5%	U S Steel, c......	1¼%Q	2-27	3-30
6%	White (J G) & Co, p	1½%Q	2-15	3- 1
7%	White (J G) Eng, p	1¾%Q	2-15	3- 1
7%	White (J. G) Mtg, p	1¾%Q	2-15	3- 1
7%	Worth P & Ma, p A	1¾%Q	3-10	4- 1
6%	Worth P & Ma, p B	1½%Q	3-10	4- 1

Securities and Commodities Analyzed in This Issue

Bonds

Industrials

Public Utilities

Petroleum

Mining

Railroads

Commodities

GETTING READY FOR SPRING BUSINESS

(Continued from page 528)

recent date have chiefly affected commodities which figure in the current cost of living and whose decline has therefore brought about a better adjustment between wages and current expenses. This adjustment has unfortunately not fully reached the farming element in the population as yet, and the fact that it has not done so accounts in no small measure for the hardship to which the farmer is still subjected by reason of the fact that he is compelled to accept competitive world prices for his product while he, on the other hand, pays local prices for his commodities of current consumption.

This is a situation which does not materially influence manufacturing except as it affects consumption. Its influence upon the demand of the farming community is, however, appreciable and accounts for the fact that in some parts of the country there has been a failure to re-establish demand for goods at retail which would correspond with the active purchasing power exhibited a year or more ago. The process of price adjustment, or, in other words, the adjustment of various elements of prices one to another, particularly at retail, is thus still going on and cannot be regarded as complete for some time to come.

Rural Credit Situation

This state of things in regard to prices as it affects the farming communities particularly, is of special interest in connection with banking. During the past month reduction of outstanding deposits and of portfolios at almost all banks has actively continued, the result being to cut down the portfolios of reserve banks to the lowest level reached for a long time past, their holdings of bills being well below $1,000,000,000, and those of members in substantial degree. While some of this reduction has begun to take effect in the farming districts it is still true that the bulk of it is found in the manufacturing regions and in the population centers. There is, in other words, the same maladjustment of credit in different parts of the country which has been characteristic ever since the deflation process began. This means that the farming community has not found itself in position to liquidate its frozen loans except in very moderate degree, and the prospects are that much further reduction of them will be impossible until after the next harvest.

It is for that reason that some observers are inclined to put the period of complete business revival over to the close of the next crop season, or say the Autumn of 1922. Recovery at that time is, of course, based upon the assumption that the farmer will in the meanwhile have raised and realized upon an abundant and remunerative crop. If he does not do so his prospects of liquidating at the bank will not be improved and the difficulties and problems which are associated with his present relationship to the banks may be expected to continue in somewhat the very same position—perhaps being aggravated through the very fact of their long standing. This makes the present year, from the agricultural standpoint, one of unusual significance and importance in so far as relates to banking.

Gold Supply No Basis for Inflation

While, taken as a whole, the banking situation is abnormally strong, with an unnecessarily large volume of gold in the hands of the banks, the fact that this gold may be withdrawn or reshipped to Europe for the purpose of reconstituting the depleted gold reserves of the European countries should prevent us from regarding it as a basis for the expansion of credit in this country, as not a few persons recommend.

In the meanwhile, despite the heavy falling off in loans and of bill holdings,—a falling off which has been characteristic of member banks just as it has at reserve banks,—the activity of credit has continued good, as indicated in the accompanying graph. The significance of this situation undoubtedly is that outstanding deposits are being freely used in purchasing. This is what would be expected from the fact that loan accommodation at banks is lower, notwithstanding that production and trade in many lines are increasing. The suggestion afforded by these figures is encouraging because it seems to indicate that in not a few lines of business there is a sufficient amount of working capital to enable the management to continue upon a moderate basis without much dependence upon banks.

Foreign Trade

It is in the foreign trade phase of our activity that conditions are the least satisfactory. While there has been some enlargement of importations the export situation continues depressed and our so-called favorable balance of trade is declining. In one way this is a wholesome symptom because, as is well known, our existing trade was abnormally inflated and had reached a point at which Europeans were in no position to liquidate.

The assistance of banks and credit institutions in the financing of foreign trade has been inadequate and continues to grow less as the season advances. This is partly due to the fact that world liquidation is still in progress, so that applications for credit are relatively small abroad, but is also due to the ultraconservative policy of American banks, and to the practice of American exporters in exacting cash payments, or at all events payments within a very short period of credit.

Without question, the unfavorable position of our export trade (shown by figures for the year 1921 to be only about 50 per cent of the year 1920, taking exports and imports together) reacts seriously upon our domestic business inasmuch as it operates to prevent full employment and complete activity at various plants. Nevertheless the export situation in some respects shows signs of future improvement. There has been a growth of export power in various European countries and the higher and more stable exchange conditions of the past months point to a much greater confidence in the financial ability of foreign countries. The forthcoming conference at

Genoa is expected to work out some definite program for the restoration of capital investment and exchange payments between countries, and should it do so the outcome may result in restoring our foreign business much more promptly than would otherwise be feasible. This phase of our economic future is, of course, still indeterminate, and in the absence of some international agreement which will relieve the principal causes of anxiety we must continue to regard our foreign operations as subject to difficulty and not likely to recover their normal level at an early date.

PUBLIC DEBT SLOWLY REDUCED

(*Continued from page* 533)

Thus the 1923 budget calls for expenditures of $3,512,000,000 so that the utmost which this amount could be reduced would be—according to Senator Smoot's estimate—about $512,000,000.

With the heavy refunding operations of the Government due very shortly and with other pressing obligations to meet it is apparent that the Treasury will be seriously embarrassed in its attempt to strengthen the financial position of the Government if such measures as the Adjusted Compensation Act—popularly known as the Bonus—are allowed to pass Congress. If such a measure is passed it would be quite impossible to reorganize the Liberty bond organization on a sound basis.

The question as to whether the public debt will be reduced materially depends wholly on the measures of economy which are to be adopted by Congress. Obviously if the Treasury is to be saddled with an extra debt of $5,000,000,000 or so as through the Bonus Act all its efforts toward reducing the national debt would be in vain.

MILWAUKEE ELECTRIC RAILWAY & LIGHT CO.

(*Continued from page* 569)

& First 7½% bonds of 1941 are secured by a first or collateral lien on a certain central station and distribution system in Milwaukee and also by pledge of $3,500,000 Mil. Elec. Ry. & Lt. Co. Gen. & Ref. 5% bonds and $1,500,000 Mil. Lt. Heat & Traction General 6% Bonds.

This issue has a sinking fund provision to retire 2% of the bonds annually until June 1, 1926 and 1½% annually thereafter providing these can be secured at 100 or less.

These bonds cannot be termed a prime investment, such as would be suitable for widows and orphans dependent upon their income, but for those who can keep in touch with their bonds, this issue offers a very attractive return coupled with reasonable safety.

However, the bonds can be redeemed at 101½ and interest up to June 1, 1922, at 102½ and interest up to June 1, 1923, and so on with a maximum redeemable price of 107½ up to June 1, 1926, from which time the price decreases until it again reaches 101½. It appears likely that all the bonds will be redeemed before maturity and will have a relatively short life, which is an unattractive feature.

TRADE TENDENCIES

(*Continued from page* 531)

any indication of reducing their prices. Possibly they are anticipating a revival in demand soon, predicated on the upturn in sterling and other foreign exchanges.

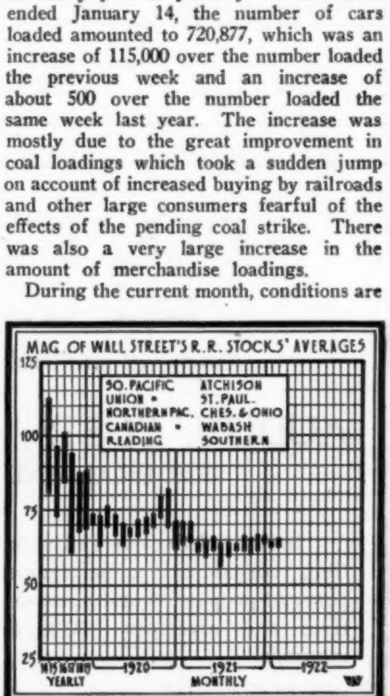
From the above facts, it may be deduced that the situation in petroleum during the next few weeks is not likely to vary greatly from that existing at the present time. The statistical position of the commodity—both crude and refined—is unfavorable, owing to the fact that supplies are increasing at a considerably more rapid rate than consumption. In fact, there has been a slight decline in consumption at the same time that the output has been increased. This naturally has brought about the downward reaction in prices. Until the statistical position grows stronger it is highly improbable that the direction of the present price movement will change.

RAILROADS

Conditions Generally Stabilizing

An interesting development was the appreciable increase in car loadings during the early part of January. In the week ended January 14, the number of cars loaded amounted to 720,877, which was an increase of 115,000 over the number loaded the previous week and an increase of about 500 over the number loaded the same week last year. The increase was mostly due to the great improvement in coal loadings which took a sudden jump on account of increased buying by railroads and other large consumers fearful of the effects of the pending coal strike. There was also a very large increase in the amount of merchandise loadings.

During the current month, conditions are



TO FEB. 9

likely to result in the slowing down of traffic for the usual seasonal causes. However, with Spring coming on, traffic is bound to increase.

With the carriers in a greatly improved position on account of the many economies put into operation and with the prospects for larger traffic it is probable that the railroads will make a better showing this year than any time since 1917.

The labor situation is improved and serious labor disturbances on the railroads are not anticipated.

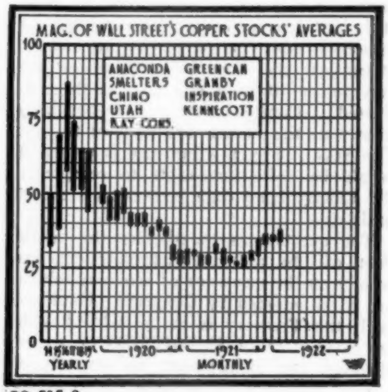
Evidently railroad executives have more assurance as to the future since they are more actively engaged in purchasing equipment than for a very considerable period.

With regard to the securities of the railroads it is evident that they are now coming into greater favor with the public and as soon as the results of the economy policies of the carriers are more in evidence it may be presumed that these securities will commence to discount the new situation.

COPPER

Prices Decline

The copper market has reacted markedly in the past few weeks and a good part of the gain made since October has been lost. Thus, comparing with a price



TO FEB. 9

of 14 cents a pound asked at the end of the year, the market is now quoted at 13⅕ cents and fair amounts of the metal can be secured at 13⅜ cents. There have even been a few sales at 13¼ cents.

The cause of the recent decline in prices has been the slowing-down of demand both from domestic and foreign sources. From present indications, it is not likely that a demand much greater than that now existing will materialize before March at the earliest. Sales in February will probably just about equal those of January which in turn were at a rate about 50% under those of December. Consumers who bought heavily in the December rush for the metal are still fairly well stocked and are not likely to enter the market until their surplus metal has been worked off.

The price situation with regard to copper is interesting. Out of the past seventy-two years, copper has not sold lower than 15 cents a pound on the average comparing with the present price of 13½ cents. At current levels, therefore, the metal is selling at close to its lowest in history. It is hardly probable that it will sell lower, considering the high cost of operations. Broadly, therefore, the outlook is for higher copper prices although they may give a rather weak appearance at the present time.

Conditions in the other metal markets are irregular. Tin is very strong owing to the higher London market. There is

better business in both lead and zinc, but the former market is in the better position.

TIRES

Production to Be Increased

It is possible to roughly figure out the production possibilities for the tire-industry during the current year. Last year production was as follows: 19,379,000 pneumatic tire casings, 24,157,000 inner tubes and 377,000 solid tires. In 1920, there were 32,000,000 tires produced so that the 1921 results represented a decrease of approximately 33% in tire production.

The generally accepted ratio for annual tire replacements is 3½ tires per car, but this is obviously an exaggerated figure inasmuch as had this been the actual ratio of replacements in 1921 the 9,211,295 cars registered at the end of 1920 in addition to the 1,680,000 cars produced in 1921

TIRE PRODUCTION

	Amount
1920	32,400,000
1921	19,379,000
1922*	24,000,000

*Estimated on basis of 2 tires per car for total registry of 10,000,000 cars and anticipated production of 2,000,000 cars in 1922.

would have produced a tire output of over 38,000,000 tires, whereas the actual output was only 19,379,000 tires. In other words, the ratio last year was only 1⅓ tires per car annually. This, however, is an extraordinarily low ratio due (1) to the increased efficiency of cord tires and (2) to the impoverished purchasing power of consumers who in many instances were forced to lay up their cars, not having sufficient funds for their maintenance.

This year it is probable, considering the lower cost of tires, that the ratio of tires per car will be possibly as high as 2 tires per car, which on the basis of the 10,000,000 cars in use in addition to the 2,000,000 which it is hoped will be produced this year, would make for a total output of as high as 24,000,000 tires, an increase of about 4,000,000 tires over last year. This about represents the extent of the probable improvement in the output of tires this year.

WHEAT

Market Changes Character

The wheat market, of course, is highly speculative and any attempt to forecast the immediate outlook would be extremely hazardous. Consequently, these columns are warranted only in dealing with the fundamental position of the commodity. As indicated in the last review on the subject, it was only a matter of a short time before the wheat market would definitely turn. This has already been borne out in fact. Since the beginning of February the market has experienced a very decided reversal, May wheat advancing from $1.15 a bushel to $1.30 a bushel, which is the price at the present time of writing.

The principal cause of the change in the wheat market is the growing realization of the more favorable statistical position in which the commodity now finds itself. This situation has already been reflected in the world markets with Liverpool and Buenos Aires the center of some very excited buying. Some very early and perhaps premature reports indicate that there are possibilities that the United States crop this year will be smaller than that of next year. But this is not the fundamental cause of the upturn in prices. The fact is that Europe is again very actively engaged in increasing its wheat supplies. This has resulted in very heavy buying.

Naturally the movement was helped along by speculative interests. A large and stubborn short-interest has been driven to cover and there has been a considerable amount of investment buying. The flour interests are also more actively identified in the market, probably fearing that prices will get away from them if they delay too long. While reactions and perhaps severe ones will undoubtedly take place, the trend of the market seems upward.

The corn market has also sustained a marked advance due to sympathy with wheat. Corn prices are decidedly out of line with wheat prices. However, any sharp upturn is bound to be encountered by selling from country quarters so that a real upward movement is very likely to meet sharp resistance.

LEATHER

Slightly Reactionary

The situation in leather is not as good as expected at this time. While it is true that recently there has been a slight tendency toward increase in the volume of business transacted, conditions are not quite as active as those existing several months ago and, in fact, the general situation in this industry is "spotted." The best demand is now for the cheaper grade of upper and sole leathers in which respect the situation contrasts strongly with that of several months ago when demand was particularly for the more expensive grades. This change in the character of the demand for leather is due to the fact that the buying public shows a very decided favoritism for low-priced shoes.

While the leather market is not currently in what might be considered a satisfactory position, nevertheless the number of orders and inquiries is showing a tendency to broaden, although the amount bought is lower than that expected. A feature is that foreign buyers are somewhat more active in the market. It is probable that exports during the period immediately ahead will increase, principally owing to the advance in foreign exchange quotations.

The price situation is about as firm as can be expected under the circumstances. Most grades, with the exception of sole leather, are maintaining a fair amount of stability. However, material changes are not looked for in the immediate future and it is likely that the anticipated upward move in leather will not make its appearance until further progress has been made with regard to reducing stocks on hand. Such a result will probably not come about in the earlier part of this year.

The hide market is somewhat less active as tanners are holding off purchases in the belief that a waiting policy will bring about lower prices. It is doubtful, however, that prices will come down soon in the hide market owing to the fact that the packers are in a firm position and thereby are more or less able to control prices.

Trade in footwear is not much more active than several months ago. There is very severe competition and this condition is likely to exist for a considerable period. Low prices are the outlook. It is interesting to observe that despite the more or less unsettled conditions in the shoe manufacturing industry, production keeps up to a fairly high level. Thus the present rate of output is only about 12% below that at the peak of production in the war-period and about the same as that of the pre-war period in 1913. The unfavorable aspect of the situation, however, lies in the fact that costs have not yet been reduced to a basis to meet the low prices prevailing.

BUILDING FUTURE INDEPENDENCE ON $30 A WEEK

(*Continued from page* 549)

keep on making such investiments, year in and year out, needs a union, or anything like a union, to help him increase his earning power. Each year brings such a man nearer to the day when he will be sufficient unto himself.

And financial self-sufficiency is what you're after.—*Editor.*

RAILS WIND UP THE YEAR WITH LOWER EARNINGS

(*Continued from page* 535)

many roads followed a precedent established since Government operation and that is of debiting or crediting to December earnings the net balance of expenses and revenues incurred prior to 1921. These are known as "lap-over" items because they were not taken into consideration during the period in which they were incurred. Adjustments of this kind often make a big difference in the reports and make comparisons impossible unless the actual facts are known. In the case of the Southern Pacific earnings for December "lap-over" adjustments made a difference of over $3,000,000 in the report.

Car Loadings

Seasonal decline in volume of traffic was clearly shown by the smaller number of cars loaded in December compared with the previous month. Loadings for the last week of November amounted to about 712,000 cars and by the last week of December this number had declined to 531,000. Since then loadings have been gradually picking up, and the second and third weeks of January, 1922, showed an increase of about 5% over the corresponding weeks of 1921. This is slow improvement but it is a very encouraging sign, nevertheless. Business conditions continue to improve gradually and this, together with considerably lower operating costs, will undoubtedly be reflected in higher rail earnings.

THE NEW YORK STOCK EXCHANGE ANNOUNCES IMPORTANT REFORMS

(Continued from page 523)

Stock Exchange, as is well known, is in lots of 100 shares; and yet, in actual fact, approximately one-third of all purchases and sales now made are in quantities of less than 100 shares, or odd lots. With the development of the small investor, there has, in recent years, been an enormous growth in the amount of dealing in odd lots. This fact creates a new obligation for the Stock Exchange. It is our profound duty to throw around transtions for small amounts, or on behalf of inexperienced investors, even greater protection, if possible, than around the larger transactions, where those concerned, through skill or experience, are better able to take care of themselves. I believe that the Stock Exchange itself must share the responsibility for establishing rules governing transactions in odd lots, and with this in view, I would suggest that an advisory committee be instituted which shall at all times confer with those brokers doing an odd lot business as to the best way of giving prompt and efficient service and the best possible prices to the public.

The Specialist

Now, as to the specialist: The specialist, as you well know, is a broker to whom orders are given by other brokers to buy or sell those particular securities in which the specialist has signified his willingness to take orders. The complaint is made that the specialist, having these written orders on his book, and having knowledge as to orders either to sell or to buy, is in a position, by trading for himself, to make an unwarranted profit, and that the plan of dealing thus operates against the interests of those who have placed orders with him either to buy or sell. That there is a possibility here, no one can deny, and the very existence of this possibility places a greater obligation upon the Exchange to devise rules to prevent this possibility developing into an imposition and an injury.

I am sure that the men who to-day act as specialists on the New York Stock Exchange perform their delicate duties with fidelity to their obligations, and in a manner compelling the confidence of their fellow-members. I am equally sure that the specialists recognize the existence of a problem, and that they themselves desire that no safeguard be omitted which can most certainly insure good faith in such transactions.

The practice of the New York Stock Exchange in this matter is far more in the public interest than is that of the London Stock Exchange, where every transaction is done through what is known as a jobber. The New York Stock Exchange has adopted many rules dealing with this situation, the most fundamental of which is that no specialist shall at any time purchase stocks for himself when he has orders on his books to buy for others at the same price. The keeping of this rule inviolate is absolutely essential to fair dealing, and any departure from it is always dealt with in a most drastic manner. In fact, any evidence that a specialist has taken advantage of his clients' orders is always regarded by the Exchange as warranting the imposition of the gravest possible penalties.

Without laboring the point, we cannot escape the conclusion that with reference to transactions in active securities, the Stock Exchange has a continuing obligation, complicated though it is. This obligation must be discharged with never-relaxing vigilance and consideration. As we get new light, we must adopt new safeguards, always having in mind that our fundamental purpose is to provide an absolutely free market carried on in perfect good faith as between the members themselves, and as between the members and the investing public.

The experience of the Stock Exchange shows that an absolutely free market can be most effectively provided in so far as there is the least possible interference by governmental authority. It is our duty to carry on our work in such manner that all governmental authorities will realize the importance of this principle precisely as we do. Our rules are made to assure good faith between honest men. When we find that transactions are not in good faith, we expel the offender from our midst. But has the time not come when we should go a step further, and if we expel a member for transactions we regard as essentially dishonest, should we not of our own volition lay all the facts in our possession before public authority and co-operate with public authority in prosecuting the offender?

I have briefly sketched a few of the problems which are at the moment uppermost in the minds of members of your Governing Board. These are the problems of extreme difficulty and complexity, and in the solution of them we need active thought and guidance.

May I not therefore appeal for your co-operation, not alone in determining how these and other problems should be dealt with, but in the actual dealing with them? The Stock Exchange needs not alone the co-operation of its members and their firms, it needs the co-operation of the banks, and of all who make use of its facilities. Let us all work together to the end that the New York Stock Exchange may continue to contribute more and more to progress and prosperity.

The New-Book Letter

The Investor and the Income Tax

This is an interesting treatment of the income tax problems. The booklet contains several tables of reference of the "handy" description. Many unique problems are discussed at length. "The Investor and the Income Tax" is handled in question and answer form. The booklet is a compilation by Chambellan & Berger, certified public accountants, and issued by Frank J. Mulligan.

THE WORLD'S OIL SITUATION AND ITS EFFECT ON AMERICAN PETROLEUM PROPERTIES

(Continued from page 519)

past experience of the amount of oil which will of itself run into the pumps at the foot of the well.

Six billions of barrels of oil have been produced in America. There still exists an equal amount which will be produced by the same methods. This is the definite proof of a greater amount still underground in the known fields, for more than half the oil remains sluggishly behind, or adheres to the sand grains,—enough oil to last three score years, if American genius is clever enough to get it out of the ground.

Already one scheme for this purpose (*Bureau of Mines Bulletin* 148) is meeting considerable success, while others are receiving some attention. In an old field where production is no longer profitable, air may be pumped down into some of the wells to increase the production from others. This air is actually dissolved in the oil underground and thus causes it to act as though the regular oil gas were still present to help force the oil out of the sands. It has been proposed as a modification of this process to electrically ignite the mixture of oxygen from the air and the oil gas in the sands so that heat will be furnished to increase the flow of the oil and to make the gas, as it comes from the wells, valuable for commercial use. Another plan which has had some local success is to let water into the sand through some of the wells, but this plan has definite objections against its general applications. Others are today perfecting a drill, designed to make lateral horizontal holes out through the asphalt choked area about the wells and thus allow easy channels for seepage from the distant parts of the sands. These and other ideas will be developed and applied where feasible, as the higher price of oil stimulates work of this unorthodox character.

In some of the fields only the upper sands are reached by the drill, while the lower sands which would be productive if tapped are not included in estimates of reserves. This offers a field of development in drilling methods, whereby deeper wells can be drilled at a reasonable cost. Here again, higher prices will stimulate effort with probable results.

The Possibilities in Oil Shale

The Oil Shales of North America could furnish the world with oil for an indefinitely long period, a fact which makes many people wonder why they are not exploited today. The answer is simply that oil is still too cheap.

Shale must be mined like coal, although a few favored localities may use steam shovel methods. This will certainly cost as much per ton as coal and on the average upward of a ton must be mined to get a barrel of oil. This operation alone shows a greater cost per barrel than the value of oil last summer. It is then necessary to crush it to the fineness required for the process being used, an operation more costly than for coal, due to the softening of some of the semi-asphaltic material contained, which tends to clog the ordinary crushing apparatus.

The actual retorting has been developed in the shale industry of Scotland, but as applied in America, modifications must be worked out to account for the differences in the shales and the products to be recovered. American invention is today attempting improvements over Scotch practice, as can easily be seen by examining the patents granted for oil shale work.

Then in the refining of shale oils, new methods must be developed, for shale oils are bad smelling compounds, which require special treatment to make gasolene fit for use in city streets.

The capital investment required is large in comparison to normal oil field development. The production of 100,000,000 barrels of shale oil per year will require mining equipment to handle ore twelve times as fast as at the Utah Copper Mines in 1920 for both stripping and mining, or at the rate of 5,000 sixty-ton cars per day. It will require crushing, retorting and condensation equipment to the value of more than $100,000,000. The refineries may cost anywhere from one to four hundred millions, according to the success attained in refinery practice as applied to shale oils.

Obviously such costs will not permit competition by shale oil so long as the cheap flood continues to flow from Mexico, but these vast shale deposits are of untold importance in that they guarantee the future of oil supplies and set the upward limit of oil values for generations to come.

Thus, while American oil reserves show a future supply equal to present demand for only twenty to thirty years, the necessity of importation of oil from the Sand fields of Mexico and South America will present a new equation to be solved. Enormous rewards await those who successfully win the battle with nature for the recovery of the great percentage of potential American reserves which cannot be recovered by present methods. It is a new frontier struggle, with the pioneer efforts extending underground rather than westward.

(To be concluded in the next issue)

READERS' ROUND TABLE

(Continued from page 560)

space of the Magazine would not permit the inclusion of another large department at the present time, although we sincerely hope that eventually we may be able to dedicate a regular portion of our available space for this important service. In the meantime, however, articles will be published as regularly as possible discussing the status of agriculture and in other ways giving full publicity to the agricultural situation—*Editor.*

FOR YOUR SPECULATIVE FUND
(Continued from page 575)

high-priced stocks. Thus Butterick, which sold a year ago at about 14, is now quoted at 32, with good possibilities for dividends. American Ship & Commerce has advanced within the past few weeks from 5 to over 9; Manati Sugar has advanced from about 20 to 50.

Among the low-priced stocks good opportunities will be currently found in the following if held for a reasonable period: American Ship & Commerce, Tennessee Copper & Chemical, Advance-Rumely, American Writing Paper preferred, Third Avenue, and Callahan Lead and Zinc.

Such securities, of course, are speculative and not too great a part of the available funds of the investor should be applied to them. A ratio, such as indicated above, should produce satisfactory results.

WHAT THE COPPER SURPLUS SHOWS
(Continued from page 559)

months, and that Anaconda has already taken steps in this direction.

The Outlook

For some time domestic consumers in the United States have been following the policy of buying from hand to mouth, and they remained in a position to take advantage of any recession in price. During the last few months of 1921, general business conditions were no doubt responsible for the fact that the domestic consumption was somewhat disappointing, but there are indications now that consumption will show a marked increase as the present year advances. Large producers are standing fairly firm on the question of price, and are not disposed to make concessions for future deliveries. The larger producers are asking 14 cents for their metal, and have been able to dispose of an occasional carload at that price. From time to time the smaller producers have been accepting lower prices, particularly during periods when there was a lull in the demand. Many consumers of copper are fairly busy, particularly manufacturers of wire. In view of the fact that the larger producers have shown no tendency to shade their prices, it appears that consumers who are not carrying an adequate supply of the metal would be wise to place orders before the price advances to 15 or 16 cents.

From the standpoint of the investor and speculator in shares, it is well to remember that copper shares are quite sensitive to future conditions, in fact, the copper share market is more sensitive as a barometer of future development tendencies in its industry than almost any other commodity. And therefore, in spite of the recent steady rise of the copper shares, they should be kept under close observation during the present reaction, for there is every reason to believe that the activity on the part of many important producers, which is to come within the next six months, will be preceded by another wave of discounting by the average market price of copper shares.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by investment houses of the highest standing.

Address, Advertising Department

PARTIAL PAYMENT BOOKLET

A comprehensive booklet prepared by a well known New York Stock Exchange firm — explains clearly the many benefits of this plan to small and large investors. (185)

FINANCIAL REMINDER AND READY REFERENCE RECORD

Photographic reproduction of a worth-while loose-leaf hand book including sheets. Indexed monthly reminder for income and obligations—a perpetual record of investments. (184)

SIXTY YEARS OF SAFETY

A folder on BONDS, explaining why they offer the best opportunities for safe and profitable investment. (172)

TWO MEN AND THEIR MONEY

Persons in doubt as to the best way of investing their savings will find it helpful to read this new pamphlet, issued by a well known dealer in First Mortgage Real Estate Bonds. (171)

7% GOLD NOTES WITH BONUS OF COMMON STOCK

A circular describing an attractive investment combining safety with an opportunity for large profits. The corporation has been in business for 47 years with an excellent earning record. Should prove of great interest to the modest investor, as bonds can be bought in $100.00 denominations. (176)

A COMPARISON OF MISSOURI, KANSAS & TEXAS AND ST. LOUIS & SAN FRANCISCO

The new securities of M. K. & T. present a number of attractive opportunities for both investor and speculator. This circular points them out in its comparison with a road that is highly similar in location and financial structure. (186)

"THE MARKET OUTLOOK"

A circular issued by Mr. Benjamin Graham, of Newberger, Henderson & Loeb, well known to our readers. An excellent forecast of the market! (177)

PARTICULARS OF AN UNUSUAL OFFERING

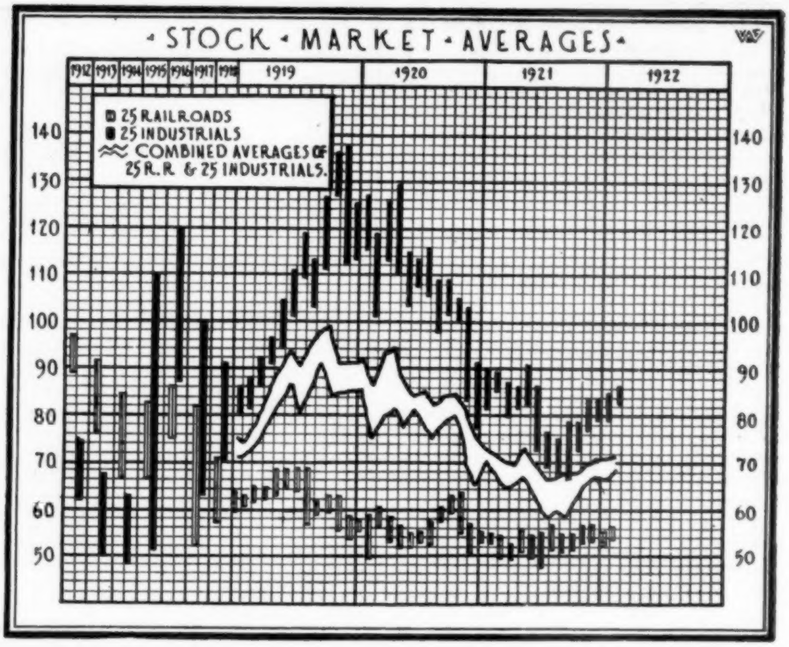
An investment in an established finance institution, engaged in a highly profitable branch of the banking business—industrial loans and an opportunity to share in the substantial profits. Record of earnings over a period of 8 years. (178)

WHAT ARE PUTS AND CALLS?

The money making possibilities of stock options—their uses to supplement margin and their insurance value and employment in place of stop orders—fully explained in this booklet. (179)

SAVING MADE MORE PROFITABLE

Explaining the Partial Payment Plan of an old established bond house. The embryo investor as well as the seasoned one will find this booklet of value. (180)



ANSWERS TO INQUIRIES

(Continued from page 567)

7% preferred stock. Will you please advise the rating you consider this stock to have? I desire it for investment.—L. R. J., Thomas, W. Va.

Bush Terminal 7% preferred appears to us to be entitled to a fairly high rating among preferred stock issues. This company's business is not subject to big changes in earning power. In other words, it is not seriously affected in periods of depression. Moreover, it has a very good record of earnings for a long period of years. We regard this stock as a desirable business man's investment.

RAILWAY STEEL SPRINGS

Rather Speculative

Please send me particulars in regard to Railway Steel Springs. Is the present dividend of 8% safe?—S. R. A., Chicago, Ill.

Railway Steel Springs for the year ended December 31, 1920, earned 18.44% on the common stock as against 16.66% in 1919, 18.38% in 1918 and 32.32% in 1917. As the company's dividend policy has been conservative, it has greatly strengthened its financial condition and working capital is now about $8,500,000 as against only $3,700,000 in 1914.

Capitalization consists of $13,500,000 preferred stock and $13,500,000 common. Business in 1921 fell off to a considerable degree and in July the plants only operated to about 35% capacity. When the last dividend was paid it was announced that it had not been fully earned. Conditions generally, however, are picking up for the equipment business and if new business comes in as expected, the company should have no difficulty in maintaining its common dividend. Of course, there is always the chance of business not being up to expectations in 1922 and for that reason the 8% dividend should not be regarded as absolutely secure and we feel that the stock must be regarded as rather speculative.

HIDE & LEATHER PFD.

Good Speculative Possibilities

Please give me your opinion about American Hide & Leather preferred at present price of 58, also the common.—S. J. F., Bismarck, N. Dak.

We regard American Hide & Leather

MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N.Y.Times 50 Stocks High	Low	Sales
Monday, Jan. 30	76.35	81.33	74.98	69.01	68.32	449,667
Tuesday, Jan. 31	76.23	81.30	74.73	68.70	68.14	405,015
Wednesday, Feb. 1	....	81.68	74.68	....	....	......
Thursday, Feb. 2	76.41	82.86	75.19	69.85	68.76	729,241
Friday, Feb. 3	76.60	82.93	75.88	70.52	69.64	817,610
Saturday, Feb. 4	....	83.61	76.23	....	....	......
Monday, Feb. 6	76.67	83.70	76.70	71.27	70.27	869,425
Tuesday, Feb. 7	76.68	83.38	76.38	71.36	70.54	793,940
Wednesday, Feb. 8	76.67	82.74	76.60	71.23	70.25	708,663
Thursday, Feb. 9	76.79	83.60	76.81	71.47	70.40	705,095
Friday, Feb. 10	76.75	83.05	76.77	71.00	70.61	738,137
Saturday, Feb. 11	76.88	82.96	76.81	71.00	70.54	287,606

preferred as having very good speculative possibilities at present prices. This company appears to have turned the corner, and it showed profits for the quarter ended June 30 and for the quarter ended September 30. It is semi-officially stated that the last quarter of 1921 will also show a profit. The leather business is of the prince or pauper variety and it looks very much as though the worst has been seen. Believe the preferred stock a much better speculation than the common in view of the large amount of back dividends due.

MANHATTAN ELEVATED

An Uncertain Situation

Through your inquiry department I should like to have some information as to the present status of Manhattan Elevated Railway stock as an investment.—C. N., Pittsburgh, Pa.

It is very difficult to give a definite opinion in regard to the future of Manhattan Elevated Guaranteed stock. The dividend is guaranteed, as you know, by Interboro Rapid Transit Co., but in view of the fact that the commission appointed by Governor Miller wishes to have the lease between the two companies broken, this guarantee is not a very strong one. On the other hand, the commission may not succeed in its idea of breaking this lease, and there is the possibility of some compromise by which the lease might be changed, giving a lower dividend rate to the stock. The Manhattan Elevated stock is held by strong people and they are represented by a committee which has excellent legal talent to advise it. If we held this stock at much higher prices we would be inclined to stay with it now, but it is hardly a security that we would care to buy into, in view of the many uncertainties existing. Earnings of the Manhattan Elevated alone have not been sufficient to pay a dividend on its stock.

NEW YORK DOCK—CRUCIBLE

Which to Buy

I have some New York Dock bought at 31¼. Do you think well of this issue? Am considering purchasing some more. How about Crucible Steel at 66? Would you advise this stock? Do you think there is a chance of one of its old-time rises?—R. S., Rochester, N. Y.

The New York Dock Co. owns properties that are increasing in value. The average earning power of the common stock has been around 5% for the past five years and it would appear that the company could afford to increase its dividend, as it has a large surplus and a relatively small funded indebtedness. We regard the stock as having rather good speculative possibilities and on the present dip of the market it might prove to be a good purchase.

Crucible Steel we regard as highly speculative and would not purchase it unless you protect the purchase with a three-point stop loss order. The present dividend on the stock cannot be regarded as secure. On the other hand, there is a powerful group operating in it, and it might have a sharp rise. As a speculation we would be more inclined to favor American Hide & Leather preferred, selling around 58. This company in the last three quarters of 1921 showed a profit, and it appears to have turned the corner. As you perhaps know, there are about 120% back dividends due on the stock.

WHAT TO BUY

A Few Long Pull Suggestions

Being one of your old subscribers and feeling rather discouraged at my selection of securities in the past I thought I would write you for a few suggestions. I am a traveling man with a wife, two children and an aged father to support. I can afford to save $50 a month out of my business. At the present time I am holding a few thousand dollars worth of low priced rails and have been thinking of switching to good copper stocks. What is your opinion? Are there some good preferred stocks you know of?—W. R. T., Litevalton, Va.

We agree with you that the copper stocks are in a good position and think it likely that they will be paying dividends within a year, or a year and a half at least.

It might be advisable, therefore, for you to switch some of your low price non-dividend-paying rails into good copper securities. Utah Copper and Miami Copper are still paying dividends and have good future prospects.

There are also some good possibilities in preferred stocks. General Motors 6% preferred, selling around 70, give an excellent return on the investment and the dividend appears to be reasonably secure, especially as the outlook for business this year is very much brighter.

Another preferred stock that looks very attractive is Allis-Chalmers 7% preferred, selling around 86. The working capital of this company alone is very much in excess of the preferred stock issue.

Among the common stocks, we favor Westinghouse Electric, paying $4 per share per annum, selling under 50. Of the dividend-paying rails, Southern Pacific, Union Pacific and Atchison appear to us to have very good future possibilities.

A WIDOW'S INVESTMENT

A Diversified List

I should be very much obliged if you would give me the benefit of your advice in the matter of an investment that I am charged with making for a widow. First of all the investment is the sole means of support of this lady. Her present investment consists of $30,000 of the 2nd preferred stock of the National Cash Register Co., this 2nd preferred having been lately received in exchange for 1st preferred 7% stock in the ratio of 4 shares of 2nd for 3 shares of 1st preferred. It is felt that the investment is not as good as it should be owing to the lack of diversification. To cure this defect it is now proposed to invest $15,000 in other securities to give an average yield of not less than 6%. I would be very glad to have you lay down a complete solution of this problem.—F. R. J. Dayton, O.

Your client being a widow, whose sole means of support is the income from her investment of $30,000, we think it highly inadvisable that the entire amount be invested in one security, no matter how highly it may be regarded. Without in any way prejudicing the value of the stock in which this sum is at present invested, we think not over 20% of the amount should be tied up in this or any other security; owing to the necessity of care to conserve her resources, we think it would be better for the remainder of the amount to be invested in bonds of companies in various fields and operating in different sections of the United States. As we would not recommend that the total funds be placed in the securities of any one company, we would also not consider it advisable to have the entire investment in securities of several companies in any one section or any one field of endeavor.

We take pleasure in giving you below a list of bonds which we think would represent a safe and conservative investment in the instance you mention, allowing $6,000 to remain in the 2nd preferred stock of the National Cash Register Co.—

		Present Price
$2,000	United Kingdom 5½s, 1937..	95
"	Chesapeake & Ohio gen. mtge. 4½s, 1992	82¾
"	South'n Ry. 1st cons. 5s, 1994	88
"	Penn. gen'l mtge. 4½s, 1965.	86
"	St. Louis-'Frisco prior lien 4s, 1950	68¾
"	Pacific Gas & Elec. gen. & refdg. 5s, 1942	89
"	American Tel. & Tel. coll. trust 5s, 1946	92¾
"	Duquesne Lgt. Co. coll. 6s, 1949	100¼
"	Cosden & Co. conv. sinking fund 6s, 1932	99
"	Armour & Co. real estate 4½s, 1939	87
"	Liggett & Myers deb. 5s, 1951	92
"	Bush Terminal Bldg. 5½s, 1960	82½

The above would give a return of approximately 6% on the entire amount invested. The holdings would include the bonds of public utility corporations and industrial companies operating in various sections of the United States.